

CITY OF ST. JOHNS, MICHIGAN

Comprehensive Annual Financial Report
Year Ended June 30, 2004

Prepared by:
Treasurer's Office

Gregory T. Teichman
City Treasurer

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

| | | | |
|---|-------------------------------|---|--------------------------|
| Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name City of St. Johns | County Clinton |
| Audit Date 6/30/04 | Opinion Date 9/2/04 | Date Accountant Report Submitted to State: 12/31/04 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | ✓ | | |
| Reports on individual federal financial assistance programs (program audits). | | | ✓ |
| Single Audit Reports (ASLGU). | | | ✓ |

| | | | |
|--|--|--------------------------|-------------------------|
| Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C. | | | |
| Street Address 108 Spring Street | | City St. Johns | State MI |
| | | ZIP 48879 | |
| Accountant Signature <i>Abraham & Gaffney, P.C. Aaron M. Starnes, CPA</i> | | | Date 12/31/04 |

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Richard Starck
Mayor

Dana C. Beaman
Vice Mayor

Mark R. Bates
Commissioner

Heather R. Hanover
Commissioner

Barry Dean
Commissioner



October 11, 2004

Dennis D. LaForest
City Manager

Cynthia M. Warda
Deputy City Manager

Mindy J. Seavey
City Clerk

Gregory T. Teichman
City Treasurer

John B. Salemi
City Attorney

Daniel J. Vreibel, P.E.
City Engineer

Steven E. Wagner
*Community
Development Director*

The Honorable Mayor and
Members of the City Commission
City of St. Johns
St. Johns, Michigan

The Treasurer's and City Manager's Offices are pleased to submit the Comprehensive Annual Financial Report for the City of St. Johns, Michigan for the fiscal year ended June 30, 2004.

This report is published to provide the City Commission, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

The Comprehensive Annual Financial Report contains different statements and information than was contained in previous reports. The statements for the fiscal year ended June 30, 2004, were prepared in accordance with Statement No. 34 of the Government Accounting Standards Board (GASB #34) entitled "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." Previously, the financial statements provided information about individual funds of the City. These funds established by the City show restrictions on planned use of resources or to measure, in the short term, the revenues and expenditures arising from municipal activities. While some of the statements in the Comprehensive Annual Financial Report are still on an individual fund basis, GASB #34 requires new government-wide financial statements, which were prepared using full accrual accounting for all governmental activities. These statements at the government-wide level will help readers assess the finances of the government in its entirety; determine if the City's overall financial position improved or deteriorated, and see how the City invested in capital assets like water mains, sewers, parks, etc. The government-wide statements are aimed at looking at the City as a whole and how it looks in the long term.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City of St. Johns' MD&A can be found immediately following the report of the independent auditors.

THE REPORTING ENTITY AND ITS SERVICES

Location

The City of St. Johns is located 18 miles north of downtown Lansing. St. Johns is the county seat for Clinton County, Michigan, and with the completion of highway construction linking US-27 with I-69/96 provides ready access to the interstate systems that make travel to Detroit, Chicago, Cleveland, Indianapolis, and other major metropolitan markets simple and easy. In addition, M-21 and BR US-27, which bisect St. Johns, are routes of quick access to Lansing, Grand Rapids, and Flint. The City encompasses an area of approximately 3.77 square miles, has a population of approximately 7,500, and 39.23 miles of streets.

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(989) 224-8944 Fax (989) 224-2204
E-mail: csj@ci.saint-johns.mi.us

The City is a home rule city operating under the Commission-Manager form of government. The City Commission is comprised of the Mayor and four Commission members, who enact local laws, determine policies and adopt the annual budget. The City Manager is appointed by the City Commission and is responsible for the daily management of the City. The Basic Financial Statements of the City include all government activities, organizations and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board.

Services Provided

The City provides a full range of municipal services including police and fire protection, refuse and recycling collection, water, sanitary sewer, storm sewer, streets, infrastructure development and maintenance, park and recreational facilities, library services and general administrative services. Internal services of the City include the mobile equipment operations.

The annual budget serves as the foundation for the City of St. Johns' financial planning and control. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been formally adopted. For the general fund, this comparison begins on page 33 as required supplementary information. For other governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented either as required supplementary information (for major funds), starting on page 36, or other supplementary information (for nonmajor funds), starting on page 46.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of St. Johns operates.

Local Economy

People have been coming to St. Johns for almost 150 years. Some came to set up businesses ranging from retail shops to automotive parts factories. Others came to be in the seat of county government. Lately, many have come seeking a friendly community and hometown environment that is close to the City of Lansing. St. Johns is poised to accommodate everyone and its cooperative spirit remains the reason both businesses and families choose the community.

Residential housing in a variety of price ranges is abundant in the St. Johns area. Beautiful new single and multi-family dwellings in new City subdivisions ring the City. Stately, historic homes located in the center of the City are a reminder of St. Johns almost 150 year history with their architecture and tree-lined City streets. Apartments and multi-family units provide area residents with choices for today's varied lifestyles. Many additional residential projects are ongoing and have been approved for construction.

State-of-the-art technology is featured in the 7,000 square-foot Briggs Public Library, which serves residents of both the City and surrounding townships. The Briggs Library also brings to the community many new family programs and featured speakers that enhance the quality of life in St. Johns.

The City of St. Johns is home to the only certified industrial park in Clinton County. The industrial park boasts a variety of businesses ranging from an automotive parts manufacturer, two large warehouse distribution centers, an information technology business, and a local credit union. Twelve new buildings have been constructed in the St. Johns Industrial Park in a five-year period. A total of approximately 40.25 acres are available for future growth, and lots can be customized to fit all needs. The City purchased 13 acres adjacent to the Industrial Park for a regional detention facility which has been completed and exercised an option on the remaining 64 acres for future Industrial Park expansion.

Long-term Financial Planning

A \$43 million dollar bond issue in 1995 for St. Johns Public Schools resulted in a new middle school, two new elementary schools, an addition and renovations to the high school, and new athletic facilities. The added opportunities which the new school construction provides helps elevate the reputation of the school system which has long been considered as one of the top-ranked Class A districts in the state with award-winning academic and theater programs.

A \$10.5 million dollar renovation project at Clinton Memorial Hospital completed in 2000 assures the continued provision of convenient, quality, local healthcare services to St. Johns community residents. Its senior citizens are equally well served by the nationally rated Hazel I. Findlay Country Manor, which provides quality care for the area's elderly population. In fact, an \$11 million dollar assisted living center and a 40 unit apartment complex and community center called Clinton Commons were completed in 2000.

Cash Management Policies and Practices

The City maintains depository accounts with Fifth Third, Citizens Bank, and Firstbank of St. Johns and Comerica Bank of Detroit. The City holds a minimum amount of cash in checking accounts to meet operational needs. The remaining idle cash is invested by City officials in certificates of deposit and other investments as allowed by Michigan Compiled Law and the City's investment policy. The average balance of the City's investment portfolio for fiscal year 2004 was approximately \$6,100,586. The overall portfolio provided \$ 70,395 in investment income.

In compliance with the City's investment policy, the City Treasurer presents a quarterly investment report to the City Commission summarizing the investment activity, investment income earned, and the investments on hand at quarter end. The reports also compare the investment return with budgetary expectations and suggest improvements that might be made in the investment program.

Risk Management

The City participates in a State pool, the Michigan Municipal League, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The City has no liability for additional assessments based on the claims as filed against the pool, nor do they have any right to dividends.

The City also carries commercial insurance for the risk of loss due to workers' compensation claims.

MAJOR INITIATIVES

Street and Sidewalk Program

The City continues to take steps toward a comprehensive street repair program. The City has completed an update to a road condition study and has formulated a long range plan to improve and maintain the current road system. The City is currently exploring financing options and alternatives for the citizens of St. Johns to consider. The City encourages homeowners through a reimbursement program to replace sidewalks that have deteriorated and aged. This program continues to help the City in its efforts to have a safe and connecting network of non-motorized travel throughout.

Central Business District Streetscape

The City of St. Johns recently sold bonds to reconstruct the streets and sidewalks for our central business district. This project includes new landscaping, lighting, sidewalks, and the updating of the infrastructure of our downtown. Construction should begin during the summer of 2005.

Veteran's Memorial Project

This project is being spearheaded by a local veteran's group to honor those men and women from Clinton County that have served in the armed forces. This project is being coordinated with the central business streetscape because of the location of the memorial. Its location will be at the north entrance to downtown and will be a great first impression to visitors to the area and a place for residents to gather and reflect.

Water & Sewer Rate Study

An engineering firm was contracted to do an analysis on the water and sewer rate structure of the City. Statistics on inflows and outflows were examined and compared to other communities to determine the new rate structure. A long range view was included as to future capital improvements needed and to have the rate structure reflect these future needs. This study was adopted by the City Commission and has been phased in this current fiscal year.

Economic Development Effort

The industrial park has seen tremendous growth in recent years and the City has implemented a plan of action to accommodate the continuing trend. The City has been awarded grant and loan funds to assist with financing of these projects and construction is substantially complete in the first phase. With the purchase of an additional 64 acres, the City is poised for continuing future growth.

A new warehousing facility was completed in the spring of 2003 on approximately 37 acres in the industrial park. This new 17 million dollar facility has brought additional revenues and employment to our city. The new facility employs over 130 people and has become one of our largest taxpayers. Along with this new facility, a maintenance support business for this new entity has opened and has acquired enough land to facilitate future new growth.

A major renovation and expansion has been completed by a major local supermarket retailer. This new construction enhances the selections and choices of the community and keeps the revenues in our community.

Business/office space continues to expand in St. Johns with new construction and renovations of current space. An old school building was torn down to make way for a multi-use site. An office building has been constructed and filled with tenants on part of the site. Transitional residential space was included in the site plan and the last of the multi-family units are almost completed.

A new educational facility was developed in a vacant retail space. This facility offers college level and enrichment types of programs for the surrounding area. This makes it easier for people to learn new skills to help in their careers or for a job change, or just to learn something new just for fun without having to drive distances.

In 1998, the Downtown Management Board (DMB) was created for the purpose of facilitating programs for an improved growth environment in and near downtown St. Johns (known as the Principal Shopping District). Throughout the fiscal year ended June 2004, the DMB was active in the completion of a study and development of the streetscape for the downtown area. This project has resulted in a million dollar renovation of the downtown area. A State of Michigan grant has been approved to aid in these projects.

In 1998, the City created a Local Development Finance Authority (LDFA). The LDFA was created primarily to promote economic growth in the City. This board continues to advance this goal with the purchase of additional land for future growth of the City's industrial park.

Renovations were completed on the City owned old railroad depot, which is directly across from the Briggs Library. Currently the local arts council utilizes this space for classes and enrichment for the community.

Sanitary Sewer Relining

A bond proposal was passed for a sanitary sewer relining project in the City. In the summer of 2004 saw this project being completed. This 2.6 million dollar bond issue has allowed the City to increase the efficiency and effectiveness of our wastewater collection and treatment systems.

OTHER INFORMATION

Independent Audit

The City charter requires an annual audit of the books of account, financial records, and transactions of all administrative departments of the City by independent certified public accountants selected by the City Commission. This requirement has been complied with, and the independent auditor's report has been included in this report.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of St. Johns for its comprehensive annual financial report for the fiscal year ended June 30, 2003. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Treasurer's Office. We also wish to express our sincere appreciation to City Department Heads throughout the organization, especially those who were instrumental in the successful completion of this report.

We would like to thank the members of the City Commission for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted,



Dennis D. LaForest
City Manager



Gregory T. Teichman, CMA
City Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of St. Johns,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Edward Haney".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enen".

Executive Director

City of St. Johns
Comprehensive Annual Financial Report
Year Ended June 30, 2004

LIST OF CITY OFFICIALS

CITY COMMISSION

Richard Starck, Mayor

Dana C. Beaman

Mark R. Bates

Barry Dean

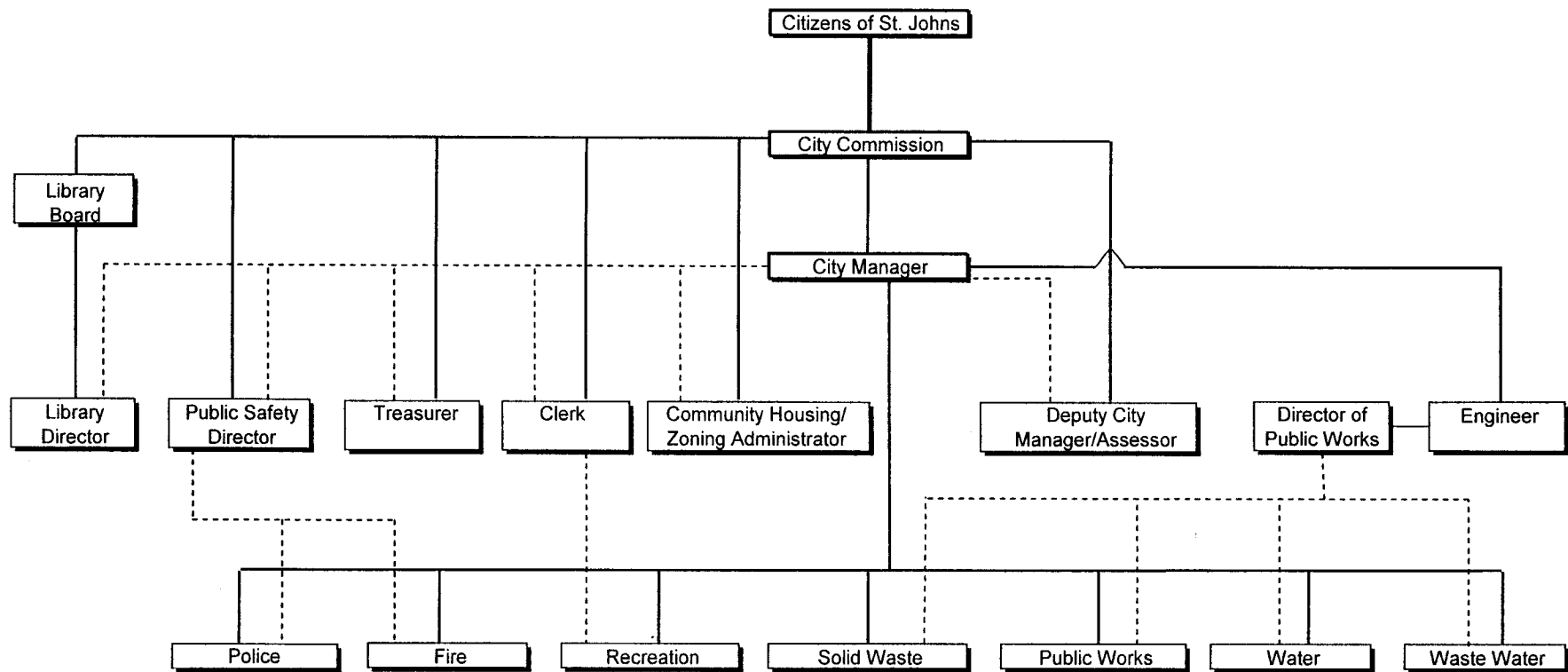
Heather R. Hanover

CITY MANAGER
Dennis D. LaForest

CITY TREASURER
Gregory T. Teichman

City of St. Johns
ORGANIZATIONAL CHART

2003-2004



Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

Member:
American Institute of Certified
Public Accountants
and
Michigan Association of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Commission
City of St. Johns, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of St. Johns, Michigan as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of St. Johns' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of St. Johns, Michigan as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the City has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of July 1, 2003, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information on pages xi through xix and 33 through 36 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Johns' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Except for the statistical section, other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical section is unaudited and we express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 2, 2004

The following is a discussion and analysis of the City of St. Johns financial performance and position, providing an overview of the activities for the fiscal year ended June 30, 2004. This analysis should be read in conjunction with the *Independent Auditors Report*, beginning on page ix of this report, our letter of transmittal on pages i through v, and with the City of St. Johns' financial statements, which follow this section. Fiscal year 2004 represents the first year the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments - Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*. Therefore, this discussion and analysis provides few comparisons with the previous fiscal year. Future reports will include financial comparisons to the prior year as required by GASB.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net assets, or the amount assets exceeded liabilities, were \$16,113,083 at the close of 2004 (excluding component units).
- Governmental activities net assets were \$6,651,773.
- Business-type activity net assets were \$9,461,310.
- Component unit net assets were \$61,972.
- The government's total net assets decreased by \$5,235, which was considered a minimal reduction.

Fund Level:

- At the close of the fiscal year, the City of St. Johns' governmental funds reported a combined ending fund balance of \$2,553,362 with \$190,495 being reserved for specific purposes.
- The General Fund's fund balance increased by \$128,044. This increase to the fund balance was higher by \$38,181 than anticipated for the fiscal year.

Capital and Long-term Debt Activities:

- The primary government (governmental activities) issued new debt for the fiscal year for the following items: \$480,000 in Michigan Transportation Bonds for street projects, \$145,000 note for refinancing of a land contract at a lower rate, \$536,000 for the purchase of land for expansion of the City's industrial park.
- The total long-term debt for the primary government (governmental activities) was \$4,377,712 with a net addition of \$611,599 from the prior year.
- The primary government (business-type activities) issued new debt for the fiscal year for the following item: \$4,875,000 for a sewer relining project and the refinancing of two bond issues at a lower rate.
- The total long-term debt for the primary government (business-type activities) was \$8,725,694 with a net addition of \$2,569,191 from the prior year.
- The City of St. Johns remains well below its authorized legal debt limit.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the City of St. Johns consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all non-major governmental funds and proprietary funds.

Government-wide Financial Statements (Reporting the City of St. Johns as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the City of St. Johns as a whole, and about its activities. Their purpose is to assist in answering the question, is the City of St. Johns, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 1) presents all the City of St. Johns assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the City of St. Johns financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the City of St. Johns net assets changed during fiscal year 2004. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- **Governmental Activities** - Most of the City of St. Johns basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the City of St. Johns general government departments such as police and fire, the City Commission, public works, and recreation programs are reported under these activities. This also includes the activities such as the Major and Local street maintenance, the Library, and Drug Enforcement.
- **Business-type Activities** - These activities operate like private businesses. The City of St. Johns charges fees to recover the cost of the services provided. The City of St. Johns Water & Sewer System services are examples of such activities.
- **Discretely Presented Component Units** - Discretely Presented Component units are legally separate organizations for which the City of St. Johns Commission appoints a majority of the organization's policy board and there is a degree of financial accountability to the City of St. Johns. Organizations included as component units: Principal Shopping District and Local Development Finance Authority.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 4 and 6 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.

- Long-term liabilities, such as reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the City of St. Johns general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

Fund Financial Statements (Reporting the City of St. Johns Major Funds)

The fund financial statements, which begin on page 3, provide information on the City of St. Johns significant (major) funds, and aggregated non-major funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City of St. Johns uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as funds required by bond or grant agreements. Funds are also utilized to track specific operations; these include the internal services funds (e.g. Mobile Equipment) as well as enterprise funds such as the Water & Fund.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for City of St. Johns include the General Fund, Garbage Fund, and the Water & Sewer Fund. All other funds are classified as non-major funds and are reported in aggregate by the applicable fund type. The City of St. Johns includes detailed information on its non-major funds in other supplementary sections of this report.

The City of St. Johns funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

- **Governmental Funds** - Most of the City of St. Johns basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City of St. Johns programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).
- **Proprietary Funds** - Services for which the City of St. Johns charges customers a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. *Internal Service funds* report activities that provide supplies or service to the City of St. Johns other operations, such as the Mobile Equipment Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

- **Fiduciary Funds** - The City of St. Johns acts as a trustee or fiduciary in certain instances. The City of St. Johns fiduciary activities are reported in separate statements of Fiduciary Net Assets on page 11 and Schedule of Changes in Assets and Liabilities on page 51. This fund is reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the City of St. Johns to fund its operations.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 14 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue funds.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds, except for the fiduciary funds, are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

FINANCIAL ANALYSIS OF THE CITY OF ST. JOHNS AS A WHOLE

As previously stated, City of St. Johns combined net assets were \$16,113,083 at the end of this fiscal year's operations. The net assets of the governmental activities were \$6,651,773; the business-type activities were \$9,461,310.

Net Assets as of June 30, 2004

| | <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Total Primary Government</u> |
|---|---|---|--|
| Current Assets | \$ 3,190,316 | \$ 4,140,161 | \$ 7,330,477 |
| Non Current Assets | <u>8,226,173</u> | <u>4,201,283</u> | <u>22,427,456</u> |
| Total Assets | <u>\$ 11,416,489</u> | <u>\$ 18,341,444</u> | <u>\$ 29,757,933</u> |
| Current Liabilities | \$ 707,134 | \$ 448,145 | \$ 1,155,279 |
| Non Current Liabilities | <u>4,057,582</u> | <u>,431,989</u> | <u>12,489,571</u> |
| Total Liabilities | <u>\$ 4,764,716</u> | <u>\$ 8,880,134</u> | <u>\$ 13,644,850</u> |
| Net Assets | | | |
| Invested in Capital Assets (Net of related debt) | \$ 4,100,144 | \$ 4,364,978 | \$ 8,465,122 |
| Restricted | 1,064,154 | 3,556,926 | 4,621,080 |
| Unrestricted | <u>1,487,475</u> | <u>1,539,406</u> | <u>3,026,881</u> |
| Total Net Assets | <u>\$ 6,651,773</u> | <u>\$ 9,461,310</u> | <u>\$ 16,113,083</u> |

City of St. Johns

Management's Discussion and Analysis Year Ended June 30, 2004

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City of St. Johns net assets changed during the fiscal year:

Changes in Net Assets for the Fiscal Year Ended June 30, 2004

| | <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Component Activities</u> | <u>Total</u> |
|--|------------------------------------|--|---------------------------------|----------------------|
| Revenues | | | | |
| Program Revenues: | | | | |
| Charges for Services | \$ 995,337 | \$ 2,210,547 | \$ - | \$ 3,205,884 |
| Operating Grants and Contributions | 299,044 | - | 38,655 | 337,699 |
| Capital Grants and Contributions | 17,667 | - | - | 17,667 |
| General Revenues: | | | | |
| Property Taxes | 2,016,384 | - | 77,104 | 2,093,488 |
| State Shared Revenue | 1,290,758 | - | - | 1,290,758 |
| Investment Earnings | 27,385 | 48,855 | 494 | 76,734 |
| Miscellaneous | <u>280,938</u> | <u>32,389</u> | <u>2,145</u> | <u>315,472</u> |
| Total Revenues | 4,927,513 | 2,291,791 | 118,398 | 7,337,702 |
| Expenses | | | | |
| General Government | 1,330,958 | - | - | 1,330,958 |
| Public Safety | 1,296,983 | - | - | 1,296,983 |
| Public Works | 1,392,076 | - | - | 1,392,076 |
| Community and Economic Develop. | 500 | - | - | 500 |
| Recreation and Cultural | 622,160 | - | - | 622,160 |
| Interest on long-term debt | 184,795 | - | - | 184,795 |
| Water & Sewer | - | 2,397,067 | - | 2,210,547 |
| Principal Shopping District | - | - | 44,323 | 44,323 |
| Local Development Finance Authority | <u>-</u> | <u>-</u> | <u>102,746</u> | <u>102,746</u> |
| Total Expenses | 4,827,472 | 2,397,067 | 147,069 | 7,185,088 |
| Increase (decrease) in Net Assets | 100,041 | (105,276) | (28,671) | (33,906) |
| Net Assets - Beginning | <u>6,551,732</u> | <u>9,566,586</u> | <u>90,643</u> | <u>16,208,961</u> |
| Net Assets - Ending | \$ 6,651,773 | \$ 9,461,310 | \$ 61,972 | \$ 16,175,055 |

Governmental Activities:

The result of fiscal year 2004 governmental activity was an increase of \$100,041 in net assets to \$6,651,773. Of the total governmental activities' net assets, \$4,100,144 is invested in capital assets less related debt, \$1,064,154 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the City of St. Johns government. The balance of \$1,487,475 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories were property taxes at 41%, State Shared Revenues at 26% and grants and contributions at 6%. The City of St. Johns levies a property tax millage for general government operations at 9.5846 mills which is not assigned to any particular activity. State Shared Revenue is the second largest source of governmental activity revenue.

Expenses:

Public Works is the largest governmental activity, expending over \$1.4 million of the \$4.8 million total expenditures. General Government is the second largest area expending \$1.3 million. This includes administration, elections and other legislative expenses, and municipal building expenses. Public Safety is the third governmental activity, expending \$1.3 million. It includes the city's police and fire departments.

Business-type Activities:

Net assets in business-type activities decreased by \$105,276 during Fiscal Year 2004. The majority of this decrease was an increase in operating and non-operating expenses as described below in the financial analysis of major and non major funds.

Of the total \$9.5 million of net assets in the business type activities, \$1.5 million is reported as unrestricted, and \$4.4 million is invested in capital assets (net of related debt).

FINANCIAL ANALYSIS OF THE CITY OF ST. JOHNS MAJOR AND NON MAJOR FUNDS

As the City of St. Johns completed fiscal year 2004, its governmental funds reported *combined* fund balances of \$2,553,362. The net changes are summarized in the following chart:

| | General Fund | Garbage | Nonmajor Governmental Funds |
|-------------------------------------|-------------------------|----------------|--|
| Fund Balance 6/30/03 | \$ 232,895 | \$ 211,052 | \$1,462,407 |
| Fund Balance 6/30/04 | \$ 360,939 | \$ 308,231 | \$1,884,192 |
| Net Change | \$ 128,044 | \$ 97,179 | \$ 421,785 |

The General Fund balance increased by \$128,044. This increase is reflective of budget management efforts and revenue generating items such as the sale of a city owned lot for \$14,564 and reimbursement for a land purchase from the Local Financing Development Authority for \$57,556. The other major governmental fund, Garbage, increased its fund balance by \$97,179. Efforts in streamlining labor and equipment cost for solid waste pickup such as leaves contributed to this increase in fund balance. The combined other non-major funds increased by \$421,785 due mainly to the issuance of \$480,000 worth of transportation bonds for a street reconstruction project.

General Fund:

The General Fund is the chief operating fund of the City of St. Johns. Unless otherwise required by statute, contractual agreement or Board policy, all City of St. Johns revenues and expenditures are recorded in the General Fund. As of June 30, 2004, the General Fund reported a fund balance of \$360,939. This amount is an increase of \$128,044 from the fund balance of \$232,895 reported as of June 30, 2003. Of the total fund balance, \$52,854 is reserved, designated or earmarked for specific purposes.

The General Fund fiscal year 2004 expenditures exceeded revenues by \$450,111; however, the net other financing sources of the General Fund of \$578,155 increased the fund balance by \$128,044. Most of this net amount was loan proceeds of \$681,000 for the purchase of land for the Industrial Park.

General Fund Budgetary Highlights:

The City of St. Johns budget is a dynamic document. Although adopted in June (prior to the start of the fiscal year), the budget is frequently amended during the course of the fiscal year to reflect changing operational demands.

General Fund revenues totaled \$3,337,322; \$6,658 above the final amended budget. Although the bottom line actual varied little from the final amended budget, there were some wide variations in individual revenue accounts reflecting the tightening national and local economy. Significantly, investment income fell \$28,403 below originally anticipated levels due to reduced market interest rates, and state revenue sharing payments were \$44,183 below original budget due to the State of Michigan reducing payments in order to mitigate a portion of their budget shortfalls. Fortunately, the City of St. Johns received \$22,253 of Metro Act revenue. These funds are used for right-of way improvements that are usually paid out of the General Fund.

The City of St. Johns expenditures totaled \$3,787,433; \$31,468 below the final amended budget. Amendments to the expenditure budget totaled \$719,321. A majority of the amendments were related to the purchase of land for the industrial park.

Garbage Fund:

The Garbage fund has an increase of \$97,179 to its fund balance from the prior year. The total fund balance is \$308,231 and all is undesignated/unreserved. The Garbage fund is supported by a user fee of \$120/household and a .50 millage on the ad valorem tax roll. Services such as weekly pickup of brush, Christmas tree collection in January, and free screened compost for gardens and yards are some of the benefits of this fund.

Water & Sewer Fund:

The Water & Sewer fund had a decrease to its net assets of \$105,276. Operating revenues showed an increase of \$30,532. Charges for services increased by \$116,008 or 5.5%, other revenues decreased by \$85,476-mainly tap-in fees. Operating expenses increased by \$191,644, this includes the following: Administration-\$50,000, and Water distribution-\$69,171. The administrative increase was due to many extra meetings with area townships on regional issues and represents staff time allocated. The water distribution expenses were system improvements such as conversion of old residential meters to electronic meters. Non-operating expenses increased by \$104,874 in 2004. Interest expense and the recognition of deferred bond discounts, due to the refinancing of two bond issues, account for most of this increase in expense.

Significant Changes - Other Major Funds:

GASB Statement No. 34 requires that funds designated as "major" be presented as a separate column on the face of the financial statements. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2004, the City of St. Johns had invested \$8,226,173, and \$13,090,672 (net of accumulated depreciation) for governmental and business-type capital assets respectively. Accumulated depreciation was \$5,002,147 for the governmental activities and \$10,127,747 for the business-type activities. Depreciation charges for the fiscal year totaled \$514,880 for the governmental activities and \$463,873 for the business-type activities. For more detailed information related to capital assets, refer to Note F to the financial statements.

| | <u>Governmental Activities</u> | <u>Business Type Activities</u> | <u>Total</u> |
|------------------------------|---|--|-----------------------------|
| Land | \$ 1,101,740 | \$ 91,570 | \$ 1,193,310 |
| Land Improvements, net | 803,484 | - | 803,484 |
| Buildings, net | 2,283,602 | - | 2,283,602 |
| Vehicles, net | 479,593 | - | 479,593 |
| Furniture/Other, net | 98,349 | - | 98,349 |
| Drain Flow Rights | 7,591 | - | 7,591 |
| Infrastructure, net | 3,451,814 | - | 3,451,814 |
| Water System, net | - | 1,400,157 | 1,400,157 |
| Sewer System, net | - | 11,378,013 | 11,378,013 |
| Water & Sewer Equipment, net | - | 220,932 | 220,932 |
| Capital assets, net | <u>\$ 8,226,173</u> | <u>\$ 13,090,672</u> | <u>\$ 21,316,845</u> |

Long-term Debt - As of June 30, 2004, the City of St. Johns had \$4,377,712 in bonds, notes and accumulated vacation and sick time outstanding for the governmental activity group. Of this amount, \$2,835,000 is bonds, \$251,683 is sick and vacation, and \$1,291,029 is loans and notes (refer to Note G). This level of net obligation is \$611,599 more than the obligation recorded as of June 30, 2003. This was mainly due to the industrial park expansion and a bond sale for an upcoming street project.

City of St. Johns

Management's Discussion and Analysis Year Ended June 30, 2004

Outstanding Debt as of June 30, 2004:

| | <u>July 1, 2003</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2004</u> |
|---------------------------------------|----------------------------|----------------------------|----------------------------|-----------------------------|
| Primary Government | | | | |
| Governmental Activities | | | | |
| Bonds | \$ 2,720,000 | \$ 480,000 | \$ 365,000 | \$ 2,835,000 |
| Loans Payable | 349,265 | - | - | 349,265 |
| Land Contract | 138,689 | - | 138,689 | -0- |
| Notes Payable | 318,924 | 681,000 | 58,160 | 941,764 |
| Accumulated vacation and sick | 239,235 | 12,448 | - | 251,683 |
| Total Governmental Activities | 3,766,113 | 1,173,448 | 561,849 | 4,377,712 |
| Business Type Activities | | | | |
| Water and Sewer Bonds | 6,003,798 | 4,830,905 | 2,261,714 | 8,572,989 |
| Loan Payable | 152,705 | - | 152,705 | -0- |
| Total Business Type Activities | 6,156,503 | 4,830,905 | 2,414,419 | 8,572,989 |
| Total Reporting Entity | <u>\$ 9,922,616</u> | <u>\$ 6,004,353</u> | <u>\$ 2,976,268</u> | <u>\$ 12,950,701</u> |
| Debt Limit (10% of SEV) | | | | \$ 22,096,179 |
| Available Statutory Debt Limit | - see page 65 | | | \$ 19,507,464 |

Limitations on Debt:

State statute limits the City of St. Johns debt obligations to 10 percent of the current state equalized value (SEV). The City of St. Johns SEV as of June 30, 2004 was \$221 million; therefore the City of St. Johns debt limitation was \$22 million. The City of St. Johns remains well below its legal debt limit by over \$19 million.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS & EFFECTS

The citizens of St. Johns recently voted down a proposed major street reconstruction/maintenance program that was brought before them. This program was a combination of a bond sale and millage. This will mean more of state revenues that we receive for streets will be used for street maintenance and projects will have to be prioritized.

The State of Michigan continues to have difficulty in balancing their budget. Any shortfalls in projected revenues could affect our revenue sharing funds that we receive. Our budgets have already been cut more than once and any further cuts would affect the services that we provide to the citizens of St. Johns.

A major employer in the community recently agreed to a 4 year contract with its labor representatives. This contract is a large step to insure this employer continues to be a part of the community for years to come. Without this employer, the St. Johns citizens, schools, and local and state government would have been economically affected. The City of St. Johns continues to recruit new businesses for our industrial park to bring additional family-sustaining jobs to our community.

CONTACTING THE CITY OF ST. JOHNS

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of St. Johns finances and to demonstrate the City of St. Johns accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the City of St. Johns Treasurer's Office at (989) 224-8944 or via email: csj@ci.saint-johns.mi.us

City of St. Johns

STATEMENT OF NET ASSETS

June 30, 2004

| | Primary Government | | | |
|---|----------------------------|-----------------------------|--------------|--------------------|
| | Governmental Activities | Business-type Activities | Total | Component Units |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 2,521,051 | \$ 3,283,530 | \$ 5,804,581 | \$ 63,663 |
| Receivables | 424,646 | 635,706 | 1,060,352 | - |
| Due from other governmental units | 338,117 | - | 338,117 | - |
| Internal balances | (157,364) | 157,364 | -0- | - |
| Due from fiduciary funds | 2,278 | - | 2,278 | - |
| Inventories | 7,621 | 59,414 | 67,035 | - |
| Prepaid expenses | 53,967 | 4,147 | 58,114 | - |
| Total current assets | 3,190,316 | 4,140,161 | 7,330,477 | 63,663 |
| Noncurrent assets | | | | |
| Cash and cash equivalents, restricted | - | 950,521 | 950,521 | - |
| Deferred charges | - | 160,090 | 160,090 | - |
| Capital assets, net | 8,226,173 | 13,090,672 | 21,316,845 | - |
| Total noncurrent assets | 8,226,173 | 14,201,283 | 22,427,456 | -0- |
| TOTAL ASSETS | 11,416,489 | 18,341,444 | 29,757,933 | 63,663 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable | 163,381 | 24,329 | 187,710 | 1,691 |
| Accrued liabilities | 55,572 | 14,744 | 70,316 | - |
| Due to other governmental units | 89,796 | - | 89,796 | - |
| Accrued interest payable | 78,255 | 93,622 | 171,877 | - |
| Due to others | - | 450 | 450 | - |
| Current portion of compensated absences | 36,954 | - | 36,954 | - |
| Current portion of long-term debt | 283,176 | 315,000 | 598,176 | - |
| Total current liabilities | 707,134 | 448,145 | 1,155,279 | 1,691 |
| Noncurrent liabilities | | | | |
| Advance from State | - | 21,295 | 21,295 | - |
| Noncurrent portion of compensated absences | 214,729 | - | 214,729 | - |
| Noncurrent portion of long-term debt | 3,842,853 | 8,410,694 | 12,253,547 | - |
| Total noncurrent liabilities | 4,057,582 | 8,431,989 | 12,489,571 | -0- |
| TOTAL LIABILITIES | 4,764,716 | 8,880,134 | 13,644,850 | 1,691 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 4,100,144 | 4,364,978 | 8,465,122 | - |
| Restricted for: | | | | |
| Debt service | 58,273 | 949,706 | 1,007,979 | - |
| Capital projects | 565,720 | 2,607,220 | 3,172,940 | - |
| Drug law enforcement | 18,131 | - | 18,131 | - |
| Streets | 422,030 | - | 422,030 | - |
| Unrestricted | 1,487,475 | 1,539,406 | 3,026,881 | 61,972 |
| TOTAL NET ASSETS | \$ 6,651,773 | \$ 9,461,310 | \$16,113,083 | \$ 61,972 |

See accompanying notes to financial statements.

City of St. Johns

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|---------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | |
| | | | | | Governmental Activities | Business-type Activities |
| Primary government: | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 1,330,958 | \$ 108,425 | \$ 98,654 | \$ - | \$ (1,123,879) | \$ - |
| Public safety | 1,296,983 | 12,871 | - | - | (1,284,112) | - |
| Public works | 1,392,076 | 778,940 | 4,000 | 16,498 | (592,638) | - |
| Community and economic development | 500 | - | - | - | (500) | - |
| Recreation and cultural | 622,160 | 95,101 | 196,390 | 1,169 | (329,500) | - |
| Interest on long-term debt | 184,795 | - | - | - | (184,795) | - |
| Total governmental activities | 4,827,472 | 995,337 | 299,044 | 17,667 | (3,515,424) | -0- |
| Business-type activities: | | | | | | |
| Water and sewer | 2,397,067 | 2,210,547 | - | - | (186,520) | - |
| Total primary government | \$ 7,224,539 | \$ 3,205,884 | \$ 299,044 | \$ 17,667 | (3,515,424) | (186,520) |
| Component units: | | | | | | |
| Principal Shopping District | \$ 44,323 | \$ - | \$ 38,655 | \$ - | - | -0- |
| Local Development Finance Authority | 102,746 | - | - | - | - | (102,746) |
| Total component units | \$ 147,069 | \$ -0- | \$ 38,655 | \$ -0- | -0- | (108,414) |
| General revenues: | | | | | | |
| Property taxes | | | | | 2,016,384 | 2,016,384 |
| State shared revenues | | | | | 1,290,758 | 1,290,758 |
| Investment earnings | | | | | 27,385 | 48,855 |
| Miscellaneous | | | | | 280,938 | 32,389 |
| Total general revenues | | | | | 3,615,465 | 81,244 |
| Change in net assets | | | | | 100,041 | (105,276) |
| Net assets, beginning of the year | | | | | 6,551,732 | 9,566,586 |
| Net assets, end of the year | | | | | \$ 6,651,773 | \$ 9,461,310 |
| | | | | | \$ 16,113,083 | \$ 16,113,083 |

See accompanying notes to financial statements.

City of St. Johns

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2004

| | General | Garbage | Nonmajor Governmental Funds | Total Governmental Funds |
|--|-------------------|-------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 305,023 | \$ 362,821 | \$ 1,790,621 | \$ 2,458,465 |
| Receivables | | | | |
| Accounts | 152,646 | 6,380 | 93 | 159,119 |
| Special assessments | - | - | 111,427 | 111,427 |
| Contracts | 154,100 | - | - | 154,100 |
| Due from other funds | 2,784 | - | - | 2,784 |
| Due from other governmental units | 112,537 | - | 225,580 | 338,117 |
| Prepaid expenditures | 52,854 | - | 1,113 | 53,967 |
| TOTAL ASSETS | \$ 779,944 | \$ 369,201 | \$ 2,128,834 | \$ 3,277,979 |
| LIABILITIES | | | | |
| Payables | | | | |
| Accounts | \$ 72,923 | \$ 57,644 | \$ 27,040 | \$ 157,607 |
| Salaries | 41,049 | 3,326 | 9,442 | 53,817 |
| Due to other funds | 136,122 | - | 21,748 | 157,870 |
| Due to other governmental units | 14,811 | - | 74,985 | 89,796 |
| Deferred revenue | 154,100 | - | 111,427 | 265,527 |
| TOTAL LIABILITIES | 419,005 | 60,970 | 244,642 | 724,617 |
| FUND BALANCES | | | | |
| Reserved for | | | | |
| Prepaid expenditures | 52,854 | - | 1,113 | 53,967 |
| Debt service | - | - | 136,528 | 136,528 |
| Unreserved | | | | |
| Designated for debt service | - | - | 506,552 | 506,552 |
| Designated for capital projects | - | - | 565,720 | 565,720 |
| Undesignated, reported in | | | | |
| General fund | 308,085 | - | - | 308,085 |
| Special revenue funds | - | 308,231 | 674,279 | 982,510 |
| TOTAL FUND BALANCES | 360,939 | 308,231 | 1,884,192 | 2,553,362 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 779,944 | \$ 369,201 | \$ 2,128,834 | \$ 3,277,979 |

See accompanying notes to financial statements.

City of St. Johns

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2004

Total fund balance - governmental funds **\$ 2,553,362**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

| | | |
|-------------------------------|--------------------|-----------|
| The cost of capital assets is | \$ 13,228,320 | |
| Accumulated depreciation is | <u>(5,002,147)</u> | |
| Capital assets, net | | 8,226,173 |

| | |
|--|---------|
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 265,527 |
|--|---------|

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets.

| | | |
|--|---------------|--------|
| Net assets of governmental activities accounted for in Internal Service Funds | 483,333 | |
| Net capital assets of Internal Service Funds included in total capital assets above | (479,593) | |
| Long-term liabilities of Internal Service Fund included in total long-term liabilities below | <u>58,938</u> | |
| | | 62,678 |

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

| | | |
|---------------------------------|----------------|--------------------|
| Bonds, notes, and loans payable | 4,126,029 | |
| Accrued interest payable | 78,255 | |
| Compensated absences | <u>251,683</u> | |
| | | <u>(4,455,967)</u> |

| | |
|--|----------------------------|
| Net assets of governmental activities | <u>\$ 6,651,773</u> |
|--|----------------------------|

See accompanying notes to financial statements.

City of St. Johns

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2004

| | General | Garbage | Nonmajor Governmental Funds | Total Governmental Funds |
|--|-------------------|-------------------|-----------------------------------|--------------------------------|
| REVENUES | | | | |
| Taxes | \$ 1,667,938 | \$ 85,040 | \$ 263,406 | \$ 2,016,384 |
| Licenses and permits | 39,577 | - | - | 39,577 |
| Intergovernmental | 887,986 | - | 580,333 | 1,468,319 |
| Charges for services | 373,262 | 489,720 | 15,170 | 878,152 |
| Fines and forfeits | 43,806 | - | 133,188 | 176,994 |
| Interest and rents | 35,010 | 2,001 | 16,887 | 53,898 |
| Other revenue | 289,743 | 168 | 33,512 | 323,423 |
| TOTAL REVENUES | 3,337,322 | 576,929 | 1,042,496 | 4,956,747 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 1,191,460 | - | 2,212 | 1,193,672 |
| Public safety | 1,289,947 | - | - | 1,289,947 |
| Public works | 226,959 | 479,750 | 331,574 | 1,038,283 |
| Community and economic development | 500 | - | - | 500 |
| Recreation and cultural | 264,200 | - | 334,559 | 598,759 |
| Debt service | 222,718 | - | 488,297 | 711,015 |
| Capital outlay | 591,649 | - | 46,914 | 638,563 |
| TOTAL EXPENDITURES | 3,787,433 | 479,750 | 1,203,556 | 5,470,739 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (450,111) | 97,179 | (161,060) | (513,992) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | 55 | - | 290,617 | 290,672 |
| Operating transfers out | (102,900) | - | (187,772) | (290,672) |
| Bond and loan proceeds | 681,000 | - | 480,000 | 1,161,000 |
| TOTAL OTHER FINANCING SOURCES (USES) | 578,155 | -0- | 582,845 | 1,161,000 |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES | 128,044 | 97,179 | 421,785 | 647,008 |
| Fund balances, beginning of year | 232,895 | 211,052 | 1,462,407 | 1,906,354 |
| Fund balances, end of year | <u>\$ 360,939</u> | <u>\$ 308,231</u> | <u>\$ 1,884,192</u> | <u>\$ 2,553,362</u> |

See accompanying notes to financial statements.

City of St. Johns

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ 647,008

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

| | | |
|--|------------------|--------|
| Capital outlay | 602,010 | |
| Depreciation expense | <u>(514,880)</u> | |
| Excess of capital outlay over depreciation expense | | 87,130 |

Internal service funds are used by management to charge the costs of certain activities to individual funds.

| | | |
|--|-----------------|--------|
| Decrease in net assets of Internal Service Funds | (3,666) | |
| Capital asset transactions of Internal Service Funds included in the total above | (38,443) | |
| Depreciation expense of Internal Service Funds included in the total above | 84,474 | |
| Principal retirement of Internal Service Funds included in the total below | <u>(13,476)</u> | |
| | | 28,889 |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (29,234)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

| | | |
|---------------------------|----------------|-----------|
| Debt proceeds | (1,161,000) | |
| Debt principal retirement | <u>561,849</u> | |
| | | (599,151) |

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

| | | |
|--|-----------------|----------|
| (Increase) in accrued interest payable | (22,153) | |
| (Increase) in accrued compensated absences | <u>(12,448)</u> | |
| | | (34,601) |

Change in net assets of governmental activities \$ 100,041

See accompanying notes to financial statements.

City of St. Johns
Proprietary Funds
STATEMENT OF NET ASSETS
June 30, 2004

| | Business-type Activities | Governmental Activities |
|--|------------------------------------|--|
| | Enterprise (Water and Sewer) | Internal Service (Mobile Equipment) |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 3,283,530 | \$ 62,586 |
| Accounts receivable | 630,751 | - |
| Special assessments receivable | 4,955 | - |
| Due from other funds | 157,417 | - |
| Inventory | 59,414 | 7,621 |
| Prepaid expenses | 4,147 | - |
| Total current assets | 4,140,214 | 70,207 |
| Noncurrent assets | | |
| Cash and cash equivalents, restricted | 950,521 | - |
| Deferred charges | 160,090 | - |
| Capital assets, net | 13,090,672 | 479,593 |
| Total noncurrent assets | 14,201,283 | 479,593 |
| TOTAL ASSETS | 18,341,497 | 549,800 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 24,329 | 5,774 |
| Salaries payable | 14,744 | 1,755 |
| Due to other funds | 53 | - |
| Due to others | 450 | - |
| Notes payable - current portion | - | 14,079 |
| Total current liabilities | 39,576 | 21,608 |
| Current liabilities payable from restricted assets | | |
| Bonds payable - current portion | 315,000 | - |
| Accrued interest payable | 93,622 | - |
| Total current liabilities payable from restricted assets | 408,622 | -0- |
| Noncurrent liabilities | | |
| Advance from state | 21,295 | - |
| Bonds and notes payable | 8,410,694 | 44,859 |
| Total noncurrent liabilities | 8,431,989 | 44,859 |
| TOTAL LIABILITIES | 8,880,187 | 66,467 |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 4,364,978 | 420,655 |
| Restricted for: | | |
| Debt service | 949,706 | - |
| Capital projects | 2,607,220 | - |
| Unrestricted | 1,539,406 | 62,678 |
| TOTAL NET ASSETS | <u>\$ 9,461,310</u> | <u>\$ 483,333</u> |

See accompanying notes to financial statements.

City of St. Johns

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended June 30, 2004

| | Business-type Activities | Governmental Activities |
|--|------------------------------------|--|
| | Enterprise (Water and Sewer) | Internal Service (Mobile Equipment) |
| OPERATING REVENUES | | |
| Charges for services | \$ 2,205,547 | \$ 334,543 |
| Rentals | 5,000 | - |
| Other | 31,069 | - |
| TOTAL OPERATING REVENUES | 2,241,616 | 334,543 |
| OPERATING EXPENSES | | |
| Water plant operation | 217,491 | - |
| Water distribution | 264,379 | - |
| Wastewater plant operation | 547,226 | - |
| Sewage collection | 158,504 | - |
| Administrative expenses | 272,422 | - |
| Mobile equipment | - | 259,134 |
| Depreciation | 463,873 | 84,474 |
| TOTAL OPERATING EXPENSES | 1,923,895 | 343,608 |
| OPERATING INCOME (LOSS) | 317,721 | (9,065) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest earned | 48,855 | 149 |
| Gain on sale of capital assets | - | 5,250 |
| Interest expense | (389,724) | - |
| Paying agent fees | (21,226) | - |
| Bond premium | 1,320 | - |
| Bond discount and deferred charges | (62,222) | - |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (422,997) | 5,399 |
| CHANGE IN NET ASSETS | (105,276) | (3,666) |
| Net assets, beginning of year | 9,566,586 | 486,999 |
| Net assets, end of year | \$ 9,461,310 | \$ 483,333 |

See accompanying notes to financial statements.

City of St. Johns

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2004

| | Business-type Activities | Governmental Activities |
|---|------------------------------------|--|
| | Enterprise (Water and Sewer) | Internal Service (Mobile Equipment) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash receipts from customers | \$ 2,215,975 | \$ 334,603 |
| Cash paid to employees and vendors | (1,409,665) | (259,027) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 806,310 | 75,576 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Bond proceeds | 2,715,000 | - |
| Paying agent fees | (21,226) | - |
| Bond issuance and related costs | (130,373) | - |
| Capital purchases | (105,308) | (30,656) |
| Proceeds from sale of equipment | - | 13,037 |
| Interest paid | (389,724) | - |
| Payments on borrowings | (130,000) | (13,476) |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | 1,938,369 | (31,095) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest earned | 48,855 | 149 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 2,793,534 | 44,630 |
| Cash and cash equivalents, beginning of year | 1,440,517 | 17,956 |
| Cash and cash equivalents, end of year | \$ 4,234,051 | \$ 62,586 |

City of St. Johns

Proprietary Funds

STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended June 30, 2004

| | Business-type Activities | Governmental Activities |
|---|------------------------------------|--|
| | Enterprise (Water and Sewer) | Internal Service (Mobile Equipment) |
| Reconciliation of operating income (loss) to net cash provided by operating activities | | |
| Operating income (loss) | \$ 317,721 | \$ (9,065) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | |
| Depreciation | 463,873 | 84,474 |
| Decrease in receivables | 20,640 | - |
| (Increase) decrease in due from other funds | (46,281) | 60 |
| Decrease in inventory | 13,198 | 276 |
| (Increase) in prepaid expenses | (894) | - |
| (Decrease) in accounts payable | (4,019) | (894) |
| Increase in salaries payable | 3,994 | 725 |
| Increase in accrued liabilities | 14,386 | - |
| Increase in due to other funds | 23,692 | - |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 806,310</u> | <u>\$ 75,576</u> |

See accompanying notes to financial statements.

City of St. Johns

Fiduciary Fund

STATEMENT OF FIDUCIARY NET ASSETS

Year Ended June 30, 2004

| | <u>Current Tax Collection Fund</u> |
|---------------------------|--|
| ASSETS | |
| Cash and cash equivalents | <u>\$ 2,278</u> |
| LIABILITIES | |
| Due to other funds | <u>\$ 2,278</u> |

See accompanying notes to financial statements.

City of St. Johns

Component Units

STATEMENT OF NET ASSETS

June 30, 2004

| | Principal Shopping District | Local Development Finance Authority | Total Component Units |
|---------------------------|-----------------------------------|--|-----------------------------|
| ASSETS | | | |
| Current | | | |
| Cash and cash equivalents | \$ 12,257 | \$ 51,406 | \$ 63,663 |
| LIABILITIES | | | |
| Current | | | |
| Accounts payable | 1,691 | - | 1,691 |
| NET ASSETS | | | |
| Unrestricted | <u>\$ 10,566</u> | <u>\$ 51,406</u> | <u>\$ 61,972</u> |

See accompanying notes to financial statements.

City of St. Johns

Component Units

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenues and Changes in Net Assets |
|-------------------------------------|-------------------|-------------------------|--|---|
| | | Charges for Services | Operating Grants and Contributions | |
| Governmental activities | | | | |
| Principal Shopping District | | | | |
| Community and economic development | \$ 44,323 | \$ - | \$ 38,655 | \$ (5,668) |
| Local Development Finance Authority | | | | |
| Community and economic development | 102,746 | - | - | (102,746) |
| TOTALS | <u>\$ 147,069</u> | <u>\$ -0-</u> | <u>\$ 38,655</u> | (108,414) |
| General revenues | | | | |
| Taxes | | | | 77,104 |
| Investment earnings | | | | 494 |
| Miscellaneous | | | | <u>2,145</u> |
| Total general revenues | | | | <u>79,743</u> |
| CHANGE IN NET ASSETS | | | | (28,671) |
| Net assets, beginning of year | | | | <u>90,643</u> |
| Net assets, end of year | | | | <u>\$ 61,972</u> |

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of St. Johns is the county seat for Clinton County, Michigan, and has a population of approximately 7,485. St. Johns is a Home Rule City with a City Manager/Commission form of government. The City is located eighteen (18) miles north of Lansing, the State Capital, and is known as the "Mint Festival City".

The City has five City Commissioners who are selected at large for overlapping four (4) year terms. The Commission appoints the City Manager, Clerk, Treasurer, and Assessor.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, The Financial Reporting Entity (as amended by GASB Statement 39); and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present the financial activities of the City of St. Johns (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government. All component units are included in the City's audit and are not audited separately.

2. Blended Component Unit

The Building Authority is governed by a three (3) member board appointed by the City Commission. Its purpose is to provide for the acquisition and construction of certain public buildings, parking lots or structures, recreational facilities, stadiums and the necessary site or sites therefore for the use of the City.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, the City of St. Johns remains financially accountable for these entities or the nature and significance of the relationship between these entities and the City of St. Johns is such that exclusion of these entities would render the financial statements misleading or incomplete.

The Local Development Finance Authority (LDFA) is governed by a ten (10) member board, seven (7) of whom are appointed by the Chief Executive Officer, subject to approval by the City Commission, one (1) of whom is appointed by the Clinton County Board of Commissioners, and two (2) of whom are appointed by the chief executive officer of St. Johns Public Schools. The purpose of the LDFA is to eliminate the causes of unemployment, under-employment, and joblessness and to promote economic growth in the City, pursuant to Act 281 of the Public Acts of Michigan, 1986, as amended. The City has the ability to significantly influence operations of the LDFA and also has a potential financial benefit or burden. The LDFA is legally separate and fiscally independent of the City. The LDFA is included in the City's audit and is not audited separately.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - concluded

The Principal Shopping District (PSD) is governed by a board of no less than nine (9) and no more than thirteen (13) directors. The board is comprised of owners and/or operators of downtown businesses, excepting by statute that one member shall be a representative of the City and one member shall be an adjacent neighborhood resident to the downtown area. The members are appointed by the City Commission. In addition, the Clinton County Board of Commissioners appoints one County representative to the board. The purpose of the PSD is to facilitate programs for an improved growth environment in and near downtown St. Johns, and to assist the downtown area in becoming a stronger mixed-use urban center by encouraging a variety of retail, service, professional, residential and recreational opportunities. The City has the ability to significantly influence operations of the PSD and also has a potential financial benefit or burden. The PSD is legally separate and fiscally independent of the City. The PSD is included in the City's audit and is not audited separately.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the City are:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Garbage Fund is used to account for the proceeds of garbage collection that are legally restricted to expenditures for the purpose of garbage collection.
- c. The Water and Sewer Fund is used to account for the operations required to providing water and sewer services to the general public, the costs (expenses, including depreciation) is financed or recovered primarily through user charges.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown as required and other supplementary information were prepared on the same modified accrual basis used to reflect actual results. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to April 1, the City Commission and City Manager prepare and submit their proposed operating budgets for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to June 1, the budget is legally enacted through passage of a resolution.
- d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Fund; however, they are maintained at the account level for control purposes.
- e. After the budget is adopted, all transfers of budgeted amounts between departments within the General Fund or any revisions that alter the total expenditures of any fund must be approved by the City Commission.
- f. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- g. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds.
- h. Budgeted amounts are reported as originally adopted or amended by the City Commission during the year. Individual amendments were not material in relation to the original budgets which were amended.

8. Cash and Cash Equivalents

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the City's investments. Cash equivalents consist of mutual funds.

9. Property Tax

The City of St. Johns bills and collects its own property taxes and taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied by the City of St. Johns on July 1 and December 1 and are payable without penalty through August 14 and February 14, respectively. The July 1 levy is composed of the State Education Tax assessment and the City's millage and assessments. The December 1 levy is composed of county and school taxes as well as any unpaid July 1 City levies. All real property taxes not paid to the City by March 1 are turned over to the Clinton County Treasurer for collection. The Clinton County Treasurer remits pay-off payments to all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collections Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Property Tax - concluded

The City is permitted by state statute to levy taxes up to 10 mills (\$10 per \$1,000 of assessed valuation) for general governmental services other than the payment of Debt Service Fund expenditures. They are also permitted to levy additional mills specifically designated for Library and Garbage services. For the year ended June 30, 2004, the City levied 9.5846 mills for general governmental services, 1.0000 mill for Library services, .5000 mills for Garbage services, and .5486 mills for debt service. The total taxable value for the 2003 levy for property within the City was \$168,827,041.

10. Inventories

Inventories in the Enterprise Fund consist of Water Department supplies which are stated at the lower of cost or market on the first in - first out basis. Inventory in the Internal Service Fund consist of consumable Mobile Equipment supplies which are stated at the lower of cost or market on the first in - first out basis.

11. Prepayments

Prepaid expenditures in the governmental funds, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

12. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, individual employees have vested rights to receive payment for unused vacation and sick leave.

Accumulated vacation and sick pay amounts that are vested have been recorded in the government-wide financial statements.

13. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The General Fund and Internal Service Fund (Mobile Equipment) records charges for services provided to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

14. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and business-type activities columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date received.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Capital Assets - concluded

PRIMARY GOVERNMENT AND COMPONENT UNITS - CONCLUDED

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

| | |
|----------------------------|---------------|
| Land improvements | 5 - 25 years |
| Buildings and improvements | 20 - 40 years |
| Furniture and other assets | 5 years |
| Infrastructure | 20 years |
| Drain flowage rights | 25 years |
| Sewer lines | 40 years |
| Pump stations | 20 years |
| Equipment | 3 - 10 years |

15. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

16. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

17. Accounting Change

As of July 1, 2003, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the City's activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the statement of net assets include assets in the amount of \$4,942,383, which was previously reported in the General Fixed Assets Account Group. In addition, infrastructure capital assets have been reported for the first time on the statement of net assets. The government-wide statement of activities reflects depreciation expenses on the City's applicable capital assets.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED

17. Accounting Change - concluded

- Long-term obligations reported on the statement of net assets include \$3,766,113, which was previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

This implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 based on GASB Statement No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and interfund balances and transactions, and various other disclosures.

NOTE B: CASH AND CASH EQUIVALENTS

The City cash and cash equivalents consist of a common savings account, a common checking account, various savings, money markets, mutual funds, and checking accounts maintained by individual funds and are reported as cash and cash equivalents in the basic financial statements.

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. Commercial paper rated at the time of purchase within the 3 highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City's investment policy is more restrictive than Michigan Compiled Laws. The City's investment policy authorizes the following investment vehicles:

1. All bonds, securities, and obligations of the United States or any of its agencies or instrumentalities.
2. Certificates of deposit, savings accounts, deposit accounts.
3. Repurchase agreements with the City's main depositories.
4. Money market mutual funds whose portfolios consist of U.S. government securities or other broadly diversified money market instruments as permitted by State law and whose portfolios are limited to securities whose intention is to maintain a net asset value of \$1.00 per share.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE B: CASH AND CASH EQUIVALENTS - CONCLUDED

5. Investment pools composed of investment vehicles which are legal for direct investment by local units of government in Michigan in accordance with Act No. 367 of the Public Acts of 1982.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of June 30, 2004, the carrying amounts and bank balances for each type of account as reported in the cash and cash equivalents captions in the basic financial statements are as follows:

| <u>Account Type</u> | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|---------------------------|------------------------|---------------------|
| Checking | \$ 505,324 | \$ 639,915 |
| Savings and money markets | <u>6,084,402</u> | <u>6,083,566</u> |
| | <u>\$ 6,589,726</u> | <u>\$ 6,723,481</u> |

The cash and cash equivalents reported in the financial statements include \$1,100 in imprest cash.

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2004, the City accounts were insured by the FDIC for \$471,715, and the amount of \$6,251,766 was uninsured and uncollateralized.

External Pooled Investment Funds

The City has funds in an external investment pool authorized by Michigan Public Act No. 367 of the Public Acts of 1982. As of June 30, 2004, the carrying amount and fair values of the external pooled investment funds was \$230,217. The fair value of the City's position in the external investment pool is the same as the value of the pool shares. These funds are not categorized at a risk level because it is not evidenced by securities that exist in physical or book form.

The cash and cash equivalents referred to above have been reported in the cash and cash equivalents captions in the basic financial statements, based on criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2004.

| | <u>Primary Government</u> | <u>Component Units</u> | <u>Fiduciary Fund</u> | <u>Reporting Entity</u> |
|--|---------------------------|------------------------|-----------------------|-------------------------|
| Cash and cash equivalents | \$ 5,804,581 | \$ 63,663 | \$ 2,278 | \$ 5,870,522 |
| Cash and cash equivalents - restricted | <u>950,521</u> | <u>-</u> | <u>-</u> | <u>950,521</u> |
| | <u>\$ 6,755,102</u> | <u>\$ 63,663</u> | <u>\$ 2,278</u> | <u>\$ 6,821,043</u> |

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

City of St. Johns

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE C: CASH AND CASH EQUIVALENTS - RESTRICTED

The following summarizes the restricted cash and cash equivalents as of June 30, 2004:

| | Debt Retirement | Other | Total |
|----------------------|--------------------|--------|------------|
| Water and Sewer Fund | \$ 949,706 | \$ 815 | \$ 950,521 |

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2004, are as follows:

| | |
|---|-------------------|
| Due to General Fund from: | |
| Water and Sewer fund | \$ 53 |
| Nonmajor governmental funds | 453 |
| Fiduciary funds | <u>2,278</u> |
| | 2,784 |
| Due to Water and Sewer Fund from: | |
| General fund | 136,122 |
| Nonmajor governmental funds | <u>21,295</u> |
| | <u>157,417</u> |
| Total interfund receivable and payables | \$ <u>160,201</u> |

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE E: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business type funds, and component units have been eliminated.

| | |
|--|-------------------|
| Transfers to nonmajor governmental funds from: | |
| General fund | \$ 102,900 |
| Nonmajor governmental funds | <u>187,717</u> |
| Total transfers to nonmajor governmental funds | \$ <u>290,617</u> |
| Transfers to general fund from: | |
| Nonmajor governmental funds | \$ <u>55</u> |

City of St. Johns

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 was as follows:

Primary Government

| | Restated Balance <u>July 1, 2003</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>June 30, 2004</u> |
|---|--|--------------------|---------------------|---------------------------------|
| Governmental activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 565,740 | \$ 536,000 | \$ - | \$ 1,101,740 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 923,172 | - | - | 923,172 |
| Buildings and improvements | 2,734,635 | - | - | 2,734,635 |
| Vehicles | 1,623,180 | 30,656 | 51,818 | 1,602,018 |
| Furniture and other assets | 718,836 | 35,354 | - | 754,190 |
| Drain flowage rights | 10,304 | - | - | 10,304 |
| Infrastructure | <u>6,102,261</u> | <u>-</u> | <u>-</u> | <u>6,102,261</u> |
| Total capital assets being depreciated | 12,112,388 | 66,010 | 51,818 | 12,126,580 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (80,359) | (39,329) | - | (119,688) |
| Buildings and improvements | (383,565) | (67,468) | - | (451,033) |
| Vehicles | (1,081,982) | (84,474) | (44,031) | (1,122,425) |
| Furniture and other assets | (621,905) | (33,936) | - | (655,841) |
| Drain flowage rights | (2,301) | (412) | - | (2,713) |
| Infrastructure | <u>(2,361,186)</u> | <u>(289,261)</u> | <u>-</u> | <u>(2,650,447)</u> |
| Total accumulated depreciation | <u>(4,531,298)</u> | <u>(514,880)</u> | <u>(44,031)</u> | <u>(5,002,147)</u> |
| Total capital assets, being depreciated, net | <u>7,581,090</u> | <u>(448,870)</u> | <u>(7,787)</u> | <u>7,124,433</u> |
| Governmental activities capital assets, net | <u>\$ 8,146,830</u> | <u>\$ 87,130</u> | <u>\$ (7,787)</u> | <u>\$ 8,226,173</u> |

Depreciation expense was charged to the following governmental activities:

| | |
|----------------------------|-------------------|
| General government | \$ 71,508 |
| Public safety | 47,424 |
| Public works | 353,599 |
| Recreation and cultural | <u>42,349</u> |
| Total Depreciation Expense | <u>\$ 514,880</u> |

City of St. Johns

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE F: CAPITAL ASSETS - CONCLUDED

Primary Government - concluded

| | Balance July 1, 2003 | Additions | Deletions | Balance June 30, 2004 |
|--|-------------------------|----------------|-----------|--------------------------|
| Business-type activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 91,570 | \$ - | \$ - | \$ 91,570 |
| Capital assets, being depreciated: | | | | |
| Water system | 4,256,912 | 46,017 | - | 4,302,929 |
| Sewer system | 17,853,180 | - | - | 17,853,180 |
| Water and sewer equipment | 911,935 | 59,291 | 486 | 970,740 |
| Total capital assets being depreciated | 23,022,027 | 105,308 | 486 | 23,126,849 |
| Less accumulated depreciation for: | | | | |
| Water system | (2,814,580) | (88,192) | - | (2,902,772) |
| Sewer system | (6,137,110) | (338,057) | - | (6,475,167) |
| Water and sewer equipment | (712,670) | (37,624) | 486 | (749,808) |
| Total accumulated depreciation | (9,664,360) | (463,873) | 486 | (10,127,747) |
| Total capital assets, being depreciated, net | 13,357,667 | (358,565) | -0- | 12,999,102 |
| Business-type activities capital assets, net | \$ 13,449,237 | \$ (358,565) | \$ -0- | \$ 13,090,672 |

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2004.

PRIMARY GOVERNMENT

| | Restated Balance July 1, 2003 | Additions | Deletions | Balance June 30, 2004 | Amounts Due Within One Year |
|---|-------------------------------------|-----------|-----------|--------------------------|-----------------------------------|
| Governmental Activities | | | | | |
| 1974 General Obligation Storm Sewer Bonds | \$ 75,000 | \$ - | \$ 75,000 | \$ -0- | \$ - |
| 1991 Michigan Transportation Bonds | 40,000 | - | 20,000 | 20,000 | 20,000 |
| 1993 General Obligation Bonds | 120,000 | - | 120,000 | -0- | - |
| 1997 Building Authority Bonds | 600,000 | - | 30,000 | 570,000 | 30,000 |
| 1998 Michigan Transportation Bonds | 320,000 | - | 30,000 | 290,000 | 30,000 |
| 1998 Building Authority Bonds | 1,215,000 | - | 50,000 | 1,165,000 | 55,000 |
| 2001 Walker Road G.O. Bonds | 210,000 | - | 20,000 | 190,000 | 20,000 |
| 2001 Walker Road Special Assessment Bonds | 140,000 | - | 20,000 | 120,000 | 15,000 |
| 2003 Michigan Transportation Fund Bonds | - | 480,000 | - | 480,000 | - |
| Accumulated vacation, sick leave, and longevity | 239,235 | 12,448 | - | 251,683 | 36,954 |
| Note payable - Fifth Third Bank, Land | 202,000 | - | 25,000 | 177,000 | 27,000 |
| Note payable - Citizens Bank, Depot | 44,510 | - | 8,119 | 36,391 | 8,498 |
| Land contract payable | 138,689 | - | 138,689 | -0- | - |
| Note payable - Fifth Third Bank, Land | - | 145,000 | 11,565 | 133,435 | 12,706 |
| Note payable - Banc One, Land | - | 536,000 | - | 536,000 | 50,893 |
| Note payable - Citizens Bank, Front-loader | 72,414 | - | 13,476 | 58,938 | 14,079 |
| CDBG Loan - MEDC - 2002 | 349,265 | - | - | 349,265 | - |
| Governmental activity long-term liabilities | 3,766,113 | 1,173,448 | 561,849 | 4,377,712 | 320,130 |

City of St. Johns

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE G: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONCLUDED

| | Restated Balance <u>July 1, 2003</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>June 30, 2004</u> | Amounts Due Within <u>One Year</u> |
|--|--|---------------------|---------------------|---------------------------------|--|
| Business-type Activities | | | | | |
| Water Supply and Sewage | | | | | |
| System Revenue Refunding Bonds | \$ 385,000 | \$ - | \$ 385,000 | \$ -0- | \$ - |
| 1993 System Revenue Bonds | 1,775,000 | - | 1,775,000 | -0- | - |
| 1997 System Revenue Bonds | 2,065,000 | - | 100,000 | 1,965,000 | 105,000 |
| 1997A System Revenue Bonds | 1,860,000 | - | 30,000 | 1,830,000 | 30,000 |
| 2003 Water and Sewer Refunding Bonds | - | 4,875,000 | - | 4,875,000 | 180,000 |
| Less deferred amounts: | | | | | |
| For issuance discounts | (81,202) | (44,095) | (28,286) | (97,011) | - |
| Total bonds payable | 6,003,798 | 4,830,905 | 2,261,714 | 8,572,989 | 315,000 |
| CDBG Loan - MEDC - 2002 | 152,705 | - | - | 152,705 | - |
| Business-type activity long-term liabilities | 6,156,503 | 4,830,905 | 2,261,714 | 8,725,694 | 315,000 |
| TOTAL PRIMARY GOVERNMENT | <u>\$ 9,922,616</u> | <u>\$ 6,004,353</u> | <u>\$ 2,823,563</u> | <u>\$ 13,103,406</u> | <u>\$ 635,130</u> |

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above total for governmental activities.

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

General Long-Term Debt Bonds (Payable from Debt Service Funds)

| | |
|---|-----------|
| \$225,000 1991 Michigan Transportation Fund Bonds dated August 1, 1991, due in an annual installment of \$20,000 on August 1, 2004, with interest of 5.0 percent, payable semi-annually. | \$ 20,000 |
| \$750,000 1997 General Obligation Building Authority Bonds dated March 1, 1997, due in annual installments ranging from \$30,000 to \$60,000 through October 1, 2016, with interest ranging from 4.90 to 5.50 percent, payable semi-annually. | 570,000 |
| \$430,000 1998 Michigan Transportation Fund Bonds dated May 1, 1998, due in semi-annual installments ranging from \$30,000 to \$35,000 through August 1, 2012, with interest at 4.80 percent, payable semi-annually. | 290,000 |
| \$1,400,000 1998 Building Authority Bonds dated November 1, 1998, due in annual installments ranging from \$55,000 to \$110,000 through October 1, 2018, with interest at 4.375 percent, payable semi-annually. | 1,165,000 |
| \$250,000 2001 Walker Road Bonds dated September 1, 2001, due in annual installments ranging from \$20,000 to \$35,000 through March 1, 2011, with interest of 4.0 percent, payable semi-annually. | 190,000 |

City of St. Johns

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE G: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

General Long-Term Debt Bonds (Payable from Debt Service Funds) - concluded

\$165,000 2001 Walker Road Special Assessment Bonds dated September 1, 2001, due in annual installments ranging from \$15,000 to \$20,000 through March 1, 2011, with interest of 4.0 percent, payable semi-annually. \$ 120,000

\$480,000 2003 Michigan Transportation Fund Bonds dated December 1, 2003, due in annual installments ranging from \$10,000 to \$70,000 through August 1, 2018, with interest ranging from 3.125 to 4.200 percent, payable semi-annually. 480,000

\$ 2,835,000

Water Supply and Sewage Disposal System Bonds

Water Supply and Sewage Disposal System Revenue Bonds dated March 1, 1997, due in annual installments ranging from \$105,000 to \$210,000 through October 1, 2016, with interest ranging from 5.00 to 5.10 percent, payable semi-annually. \$ 1,965,000

Water Supply and Sewage Disposal System Revenue Bonds dated May 1, 1997, due in annual installments ranging from \$30,000 to \$575,000 through October 1, 2017, with interest ranging from 4.90 to 5.60 percent, payable semi-annually. 1,830,000

Water Supply and Sewage Disposal System Revenue Refunding Bonds dated July 1, 2003, due in annual installments ranging from \$5,000 to \$300,000 through October 1, 2027, with interest ranging from 2.00 to 4.40 percent, payable semi-annually. 4,875,000

\$ 8,670,000

General Long-Term Debt Note and Loan Payable Agreements (Payable from General Fund)

1995 Note due in annual installments of \$37,328 through October 1, 2009, for land (116.58 acres) costing \$349,740. \$ 177,000

1998 Note due in annual installments of \$5,002 through February 15, 2008, for purchase of the Depot. 36,391

2003 Note due in monthly installments of \$1,439 through June 20, 2013, to refinance a note for land costing \$191,000. 133,435

2003 Land Contract due in annual installments ranging from \$27,779 to \$53,300 through July 1, 2019, for land costing \$536,000. 536,000

\$ 882,826

Internal Service Fund Notes Payable Agreement

2003 Note due in annual installments of \$15,872 through May 1, 2008, for a Front End Loader costing \$72,414. \$ 58,938

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE G: LONG-TERM DEBT - CONTINUED**PRIMARY GOVERNMENT - CONTINUED****CDBG Loans - Michigan Economic Development Corporation (MEDC)**

On August 23, 2002, the City received a loan award of \$1,100,000 from the Michigan Economic Development Corporation for the expansion of the industrial park. These funds were derived from the Federal Community Development Block Grant (CDBG) program. The City is to receive a credit of \$10,000 for each qualifying net new job in excess of 115 jobs created as a result of this expansion up to 50% of the loan amount, plus accrued interest. Quarterly principal and interest payments are due beginning August 1, 2005, in amounts sufficient to fully retire the debt by July 31, 2020. The City made arrangements with the MEDC to incorporate the outstanding balance of the 1999 CDBG loan into the 2002 CDBG loan. There were no job credits received as of June 30, 2004.

Since the expansion related to both streets and utilities infrastructure, the loan proceeds were recorded in both the Capital Project Fund and Water and Sewer (Enterprise) Fund.

The outstanding balance as of June 30, 2004, is as follows:

| | |
|----------------------|-------------------|
| Industrial Park #1 | \$ 349,265 |
| Water and Sewer Fund | <u>152,705</u> |
| | <u>\$ 501,970</u> |

Accrued Vacation, Sick Leave and Longevity

Individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave, and also receive an annual longevity payment. The dollar amounts of these vested rights have been recorded in the government-wide financial statements. They amount to approximately \$251,683 at June 30, 2004.

The annual requirements to pay the debt principal and interest outstanding for the following Bonds, Notes, and Land Contract are as follows:

Primary Government

| Year Ending June 30, | <u>General Obligation Bonds</u> | | <u>Revenue Bonds</u> | | <u>Loans, Notes and Land Contract Agreements</u> | | <u>Special Assessment Bonds</u> | |
|-------------------------|---------------------------------|-------------------|----------------------|---------------------|--|-------------------|-------------------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2005 | \$ 155,000 | \$ 121,835 | \$ 315,000 | \$ 369,326 | \$ 113,176 | \$ 44,286 | \$ 15,000 | \$ 4,800 |
| 2006 | 140,000 | 112,187 | 325,000 | 358,824 | 128,875 | 38,667 | 20,000 | 4,200 |
| 2007 | 160,000 | 105,433 | 335,000 | 347,956 | 132,407 | 32,908 | 15,000 | 3,400 |
| 2008 | 165,000 | 98,175 | 355,000 | 336,174 | 109,312 | 27,534 | 20,000 | 2,800 |
| 2009 | 180,000 | 90,581 | 365,000 | 323,211 | 86,324 | 22,871 | 15,000 | 2,000 |
| 2010-2014 | 935,000 | 324,437 | 2,055,000 | 1,382,839 | 310,765 | 65,331 | 35,000 | 2,000 |
| 2015-2019 | 980,000 | 103,931 | 2,430,000 | 817,796 | 232,309 | 20,366 | - | - |
| 2020-2024 | - | - | 1,290,000 | 390,363 | 61,216 | - | - | - |
| 2025-2028 | - | - | 1,200,000 | 105,000 | 61,216 | - | - | - |
| 2029-2033 | - | - | - | - | 61,216 | - | - | - |
| 2034 - 2038 | - | - | - | - | 61,216 | - | - | - |
| 2039 - 2043 | - | - | - | - | 61,216 | - | - | - |
| 2044 - 2046 | - | - | - | - | 24,485 | - | - | - |
| | <u>\$ 2,715,000</u> | <u>\$ 956,579</u> | <u>\$ 8,670,000</u> | <u>\$ 4,431,489</u> | <u>\$ 1,443,734</u> | <u>\$ 251,963</u> | <u>\$ 120,000</u> | <u>\$ 19,200</u> |

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE G: LONG-TERM DEBT - CONCLUDED

Advance Refunding - Current

On July 31, 2003, the City defeased a portion of the 1991 Water Supply and Sewage Disposal System Revenue Refunding Bonds which were due and payable May 1, 1991 through October 1, 2006, and a portion of the 1993 Water Supply and Sewage Disposal System Revenue Bonds, which were due and payable October 1, 1993 through October 1, 2013. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The City issued 2003 Water Supply and Sewage Disposal System Revenue and Revenue Refunding Bonds in the amount of \$4,875,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2004, bonds due and payable May 1, 2005 through October 1, 2006 for the 1991 Water Supply and Sewage Disposal System Revenue Refunding Bonds in the amount of \$385,000 and bonds due and payable October 1, 2004 through October 1, 2013 for the 1993 Water Supply and Sewage Disposal System Revenue Bonds in the amount of \$1,775,000 are considered defeased.

As a result of the advance refunding, the City decreased its total debt service requirements by \$186,229, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$156,737.

NOTE H: RETIREMENT PLAN

Plan Description

The City participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the City Commission and by negotiation with the City's collective bargaining units. The plan requires no contribution from the employees. The City is required to provide amounts necessary to fund the system.

Annual Pension Cost

For year ended June 30, 2004 the City's annual pension cost of \$309,114 for the plan was equal to the City's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2001, using the entry actual age cost method. Actual contributions were based on actual reported monthly pays. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 4.16% per year depending on age, seniority, and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty (30) years.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE H: RETIREMENT PLAN - CONCLUDEDThree (3) year trend information

| | Year Ended December 31, | | |
|---|-------------------------|--------------|--------------|
| | <u>2001</u> | <u>2002</u> | <u>2003</u> |
| Actuarial value of assets | \$ 7,572,465 | \$ 7,735,746 | \$ 8,123,878 |
| Actuarial accrued liability (AAL) (entry age) | 10,033,077 | 10,611,763 | 11,134,781 |
| Unfunded AAL | 2,460,612 | 2,876,017 | 3,010,903 |
| Funded ratio | 75 % | 73 % | 73 % |
| Covered payroll | 1,742,992 | 1,697,756 | 1,743,965 |
| UAAL as a percentage of covered payroll | 141 % | 169 % | 173 % |

| | Year Ended June 30, | | |
|-------------------------------|---------------------|-------------|-------------|
| | <u>2002</u> | <u>2003</u> | <u>2004</u> |
| Annual pension cost | \$ 261,505 | \$ 293,567 | \$ 309,114 |
| Percentage of APC contributed | 100 % | 100 % | 100 % |
| Net pension obligation | - | - | - |

This trend information was obtained from the most recently issued actuarial reports.

NOTE I: SEGMENT INFORMATION

The City operates a Water and Sewer Fund providing utility services to the various City residents. Segment information for the fiscal year ending June 30, 2004, is as follows:

| | |
|--|--------------|
| Operating revenues | \$ 2,241,616 |
| Operating expenses | |
| Depreciation | 463,873 |
| Other | 1,460,022 |
| Operating income | 317,721 |
| Change in net assets | (105,276) |
| Net (decrease) in property, plant, and equipment | (358,565) |
| Net working capital | 4,100,638 |
| Total assets | 18,341,497 |
| Long-term bonds payable | 8,725,694 |
| Total equity | 9,461,310 |

NOTE J: COMMITMENTS

In December 1998, the City entered into a construction agreement with Clinton County to construct a new Courthouse. At the same time, the Building Authority entered into a ground lease with Clinton County that provides the City administrative office space for a term of ninety-nine (99) years, at a rate of \$1 per year.

The terms of the construction agreement dictate that the City shall pay 9.2% of the cost of improvements incurred by the County. The terms of the ground lease dictate that the County or City may terminate the lease on or after the December 31 occurring not earlier than ten (10) years following occupancy ("termination date"). For ten (10) years following the termination date, the County or City may terminate the lease subject to varying percentage payments reimbursing the City for their pro rata share of the cost of improvements. After the tenth year following the termination date, either party may terminate the lease subject to 100% reimbursement of the City's pro rata share of the cost of improvements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE K: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund balances are used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the various fund balance reserves as of June 30, 2004:

Fund Balance

| | |
|---|------------|
| Primary Government | |
| General Fund | |
| Reserved for prepaid expenditures | \$ 52,854 |
| Special Revenue Funds | |
| Library | |
| Reserved for prepaid expenditures | 1,113 |
| Debt Service Funds | |
| 1974 GO #2 Storm Sewer Bonds | |
| Reserved for debt service | 2,321 |
| 1991 Michigan Transportation Fund Bonds | |
| Reserved for debt service | 154 |
| 1993 GO #6 Refunding Bonds | |
| Reserved for debt service | 3,751 |
| 1997 Library Building Authority Bonds | |
| Reserved for debt service | 117,815 |
| 1998 Michigan Transportation Fund Bonds | |
| Reserved for debt service | 939 |
| 1998 Courthouse Building Authority Bonds | |
| Reserved for debt service | 16 |
| 2001 Walker Road G.O. Bonds | |
| Reserved for debt service | 937 |
| 2001 Walker Road Special Assessment Bonds | |
| Reserved for debt service | 10,243 |
| 2003 Michigan Transportation Fund Bonds | |
| Reserved for debt service | 352 |
| Total Debt Service Funds | 136,528 |
| Total Primary Government | \$ 190,495 |

The following are the various fund balance designations as of June 30, 2004:

| | |
|-----------------------------|------------|
| Special Revenue Funds | |
| Library | |
| Designated for debt service | \$ 506,552 |

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE K: FUND EQUITY RESERVES AND DESIGNATIONS - CONCLUDED

| | |
|---------------------------------|---------------------|
| Capital Projects Funds | |
| Fantasy Forest | |
| Designated for capital projects | \$ 11,191 |
| Walker Road | |
| Designated for capital projects | 100,789 |
| Industrial Park #1 | |
| Designated for capital projects | 1,125 |
| Michigan Transportation Project | |
| Designated for capital projects | <u>452,615</u> |
| Total Capital Projects Funds | <u>565,720</u> |
| Total Primary Government | <u>\$ 1,072,272</u> |

NOTE L: RISK MANAGEMENT

The City carries commercial insurance for the risk of loss due to workers' compensation claims.

The City also participates in a State pool, the Michigan Municipal League, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The pool is responsible to pay all claims that are within insured limits. The City has no responsibility for additional assessments based on the claims as filed against the pool nor do they have any right to dividends.

The City has not had any insurance settlements that exceeded insurance coverage during the past three (3) years.

NOTE M: DEFERRED COMPENSATION PLAN

The City of St. Johns offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The assets of the plan were held in trust as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The trust requirement was designed by the Internal Revenue Service to help prevent participants from losing their retirement benefits to the claims of plan Sponsor's creditors. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use.

The Administrators are agents of the City for purposes of providing direction to the custodian of the custodial account from time to time to the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the City's financial statements.

NOTE N: BUILDING AND ZONING FINANCIAL INFORMATION

The City elected to report the financial activities of the building and zoning department in the General Fund. The following is the State required information as it relates to this department activity for the period July 1, 2003 to June 30, 2004:

| | |
|---|-----------------|
| REVENUES | |
| Building permits | \$ 35,374 |
| EXPENDITURES | |
| Contracted services | <u>26,801</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>\$ 8,573</u> |

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE O: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local government unit not incur expenditures in excess of amounts appropriated.

In the body of the required and other supplementary information, the City's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the City have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Fund.

During the year ended June 30, 2004, the City incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

| | <u>Appropriated</u> | <u>Amounts Expended</u> | <u>Variance</u> |
|--------------------|---------------------|-----------------------------|-----------------|
| General Fund | | | |
| General Government | | | |
| Legislative | \$ 247,122 | \$ 248,186 | \$ 1,064 |
| Administration | 811,604 | 822,583 | 10,979 |
| Debt Service | | | |
| Interest | 28,277 | 39,345 | 11,068 |

NOTE P: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2004:

PRIMARY GOVERNMENT

Governmental activities

Restricted for

Debt service

Capital projects

Drug law enforcement

Streets

| | |
|----|----------------|
| \$ | 58,273 |
| | 565,720 |
| | 18,131 |
| | <u>422,030</u> |

Total governmental activities

| | |
|----|------------------|
| \$ | <u>1,064,154</u> |
|----|------------------|

Business-type activities

Restricted for

Debt service

Capital projects

| | |
|----|------------------|
| \$ | 949,706 |
| | <u>2,607,220</u> |

Total business-type activities

| | |
|----|------------------|
| \$ | <u>3,556,926</u> |
|----|------------------|

City of St. Johns

General Fund

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended June 30, 2004

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|----------------------------|--------------|---|
| REVENUES | | | | |
| Taxes | | | | |
| General property tax | \$ 1,616,319 | \$ 1,621,431 | \$ 1,581,643 | \$ (39,788) |
| Property taxes on other than assessed valuation | 3,500 | 3,500 | 3,567 | 67 |
| Penalties and interest | 10,000 | 10,000 | 9,762 | (238) |
| Administrative fees | 60,000 | 72,900 | 72,966 | 66 |
| Total taxes | 1,689,819 | 1,707,831 | 1,667,938 | (39,893) |
| Licenses and permits | | | | |
| Parking permits | 3,000 | 3,000 | 3,460 | 460 |
| Building permits | 15,000 | 35,000 | 35,374 | 374 |
| City licenses and permits | 7,500 | 1,000 | 743 | (257) |
| Total licenses and permits | 25,500 | 39,000 | 39,577 | 577 |
| Intergovernmental | | | | |
| State shared revenue | | | | |
| Sales tax | 833,515 | 788,531 | 789,332 | 801 |
| Liquor licenses | 4,300 | 4,300 | 3,712 | (588) |
| Metro act | - | 22,254 | 22,253 | (1) |
| Local | - | - | 11,068 | 11,068 |
| Other State grants | 1,400 | 14,650 | 15,683 | 1,033 |
| Other Federal grants | 124,500 | 46,000 | 45,938 | (62) |
| Total intergovernmental | 963,715 | 875,735 | 887,986 | 12,251 |
| Charges for services | | | | |
| Filing fees | 10,000 | - | - | -0- |
| Fire protection | 8,000 | 8,000 | 6,400 | (1,600) |
| Water and sewage administration | 239,000 | 239,000 | 266,720 | 27,720 |
| Mobile equipment administration | 10,500 | 10,500 | 12,500 | 2,000 |
| Library administration and maintenance | 10,000 | 10,000 | 10,000 | -0- |
| Garbage administration | 10,000 | 10,000 | 10,000 | -0- |
| LDFA administration | - | 5,000 | 5,000 | -0- |
| Recreation | 54,200 | 63,600 | 62,642 | (958) |
| Total charges for services | 341,700 | 346,100 | 373,262 | 27,162 |
| Fines and forfeits | | | | |
| Parking fines | 3,000 | 6,500 | 6,471 | (29) |
| District court | 25,000 | 33,700 | 37,335 | 3,635 |
| Total fines and forfeits | 28,000 | 40,200 | 43,806 | 3,606 |

City of St. Johns

General Fund

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2004

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------------|--------------------|----------------------------|-----------|---|
| REVENUES - CONCLUDED | | | | |
| Interest and rents | | | | |
| Interest | \$ 36,900 | \$ 11,900 | \$ 8,497 | \$ (3,403) |
| Rents | 19,400 | 25,852 | 26,513 | 661 |
| Total interest and rents | 56,300 | 37,752 | 35,010 | (2,742) |
| Other revenue | | | | |
| Other reimbursements | 108,643 | 218,046 | 222,159 | 4,113 |
| Miscellaneous | 19,400 | 66,000 | 67,584 | 1,584 |
| Total other | 128,043 | 284,046 | 289,743 | 5,697 |
| TOTAL REVENUES | 3,233,077 | 3,330,664 | 3,337,322 | 6,658 |
| EXPENDITURES | | | | |
| General government | | | | |
| Legislative | 260,822 | 247,122 | 248,186 | (1,064) |
| Administration | 791,404 | 811,604 | 822,583 | (10,979) |
| Municipal building | 72,000 | 73,500 | 73,440 | 60 |
| Other | 50,370 | 47,870 | 47,251 | 619 |
| Total general government | 1,174,596 | 1,180,096 | 1,191,460 | (11,364) |
| Public safety | | | | |
| Police department | 1,032,384 | 1,088,550 | 1,080,839 | 7,711 |
| Fire department | 234,234 | 224,534 | 209,108 | 15,426 |
| Total public safety | 1,266,618 | 1,313,084 | 1,289,947 | 23,137 |
| Public works | | | | |
| Department of public works | 290,142 | 244,442 | 226,959 | 17,483 |
| Community and economic development | | | | |
| Principal shopping district | 500 | 500 | 500 | -0- |
| Recreation and cultural | | | | |
| Recreation department | 157,933 | 134,933 | 134,682 | 251 |
| City parks | 120,409 | 132,489 | 129,518 | 2,971 |
| Total recreation and cultural | 278,342 | 267,422 | 264,200 | 3,222 |

City of St. Johns

General Fund

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONCLUDED

Year Ended June 30, 2004

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|----------------------------|------------|---|
| EXPENDITURES - CONCLUDED | | | | |
| Debt service | | | | |
| Principal | \$ 45,831 | \$ 184,831 | \$ 183,373 | \$ 1,458 |
| Interest | 28,277 | 28,277 | 39,345 | (11,068) |
| Total debt service | 74,108 | 213,108 | 222,718 | (9,610) |
| Capital outlay | 15,274 | 600,249 | 591,649 | 8,600 |
| TOTAL EXPENDITURES | 3,099,580 | 3,818,901 | 3,787,433 | 31,468 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 133,497 | (488,237) | (450,111) | 38,126 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Loan proceeds | - | 681,000 | 681,000 | -0- |
| Operating transfers in | - | - | 55 | 55 |
| Operating transfers out | (131,900) | (102,900) | (102,900) | -0- |
| TOTAL OTHER FINANCING SOURCES (USES) | (131,900) | 578,100 | 578,155 | 55 |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES | 1,597 | 89,863 | 128,044 | 38,181 |
| Fund balance, beginning of year | 232,895 | 232,895 | 232,895 | -0- |
| Fund balance, end of year | \$ 234,492 | \$ 322,758 | \$ 360,939 | \$ 38,181 |

City of St. Johns

Garbage Fund

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended June 30, 2004

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|----------------------------|-------------------|---|
| REVENUES | | | | |
| Property tax levy | \$ 85,269 | \$ 85,269 | \$ 85,040 | \$ (229) |
| Charges for services | 465,000 | 465,000 | 489,720 | 24,720 |
| Interest | - | - | 2,001 | 2,001 |
| Miscellaneous | - | - | 168 | 168 |
| TOTAL REVENUES | 550,269 | 550,269 | 576,929 | 26,660 |
| EXPENDITURES | | | | |
| Public works | 492,996 | 492,996 | 479,750 | 13,246 |
| EXCESS OF REVENUES OVER EXPENDITURES | 57,273 | 57,273 | 97,179 | 13,414 |
| Fund balance, beginning of year | 211,052 | 211,052 | 211,052 | -0- |
| Fund balance, end of year | <u>\$ 268,325</u> | <u>\$ 268,325</u> | <u>\$ 308,231</u> | <u>\$ 13,414</u> |

**Nonmajor Governmental Funds
Fund Descriptions**

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to record the expenditures associated with specific revenues that are legally restricted for specific purposes.

Major Street - The Major Street fund accounts for revenues received from the State of Michigan for the City's share of State gasoline and weight taxes, which is used for maintenance of major streets.

Local Street - The Local Street Fund accounts for revenues received from the State of Michigan for the City's share of State gasoline and weight taxes, which is used for maintenance of local streets.

Library - This fund accounts for all revenues received by the City for the operation and maintenance of the public library. Financing is provided primarily by an annual property tax levy, penal fines distributed by the county, and through donations.

Drug Law Enforcement - This fund accounts for all revenues received by the City for drug forfeiture activities, which finance the City drug law enforcement program activities and related public safety activities.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources and payment general obligation bond principal and interest from governmental resources.

1974 GO #2 Storm Sewer Bonds - This fund accounts for the payment of the 1974 General Obligation Storm Sewer Bonds.

1991 Michigan Transportation Fund Bonds - This fund accounts for the payment of the 1991 Michigan Transportation Fund Bonds related to local streets.

1993 GO #6 Refunding Bonds - This fund accounts for the payment of the 1993 General Obligation Refunding Bonds.

1997 Library Building Authority Fund Bonds - This fund is used to account for payment of principal and interest of bonds related to the Library Facility. Funding is set aside from the Library Fund's operating revenue and designated in the Library Fund fund balance.

1998 Michigan Transportation Fund Bonds - This fund accounts for the payment of the 1998 Michigan Transportation Fund Bonds related to major and local streets.

1998 Courthouse Building Authority Fund Bonds - This fund is used to account for payment of principal and interest of bonds related to the Courthouse project. Funding is set aside from the General Fund's operating revenue.

2001 Walker Road Bonds - This fund is used to account for payment of principal and interest of bonds related to the Walker Road project. Funding is set aside from the General Fund's operating revenue.

2001 Walker Road Special Assessment - This fund is used to account for payment of principal and interest of special assessment debt related to the Walker Road project.

2003 Michigan Transportation Fund Bonds - This fund accounts for the payment of the 2003 Michigan Transportation Fund Bonds related to major streets.

CAPITAL PROJECTS FUNDS

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by proprietary funds. Capital projects are funded primarily by general obligation bonds.

Fantasy Forest - This fund accounts for funds received and expended for the construction of a city owned playground structure.

Walker Road - This fund accounts for funds received and expended for the public improvement of Walker Road.

Industrial Park #1 - This fund accounts for funds received and expended for the improvement of the industrial park financed through a Community Development Block Grant.

Industrial Park #2 - This fund accounts for funds received and expended for the improvement of the industrial park financed through local funding sources.

2003 Michigan Transportation Project Fund - This fund accounts for funds received and expended for the construction related to major streets.

City of St. Johns
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
June 30, 2004

| | Special Revenue Funds | | | |
|--|-----------------------|-------------------|-------------------|----------------------------|
| | Major Street | Local Street | Library | Drug Law Enforcement |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 264,756 | \$ 86,502 | \$ 622,447 | \$ 18,231 |
| Accounts receivable | - | - | - | - |
| Special assessment receivable | - | - | - | - |
| Due from other governmental units | 66,415 | 25,977 | 133,188 | - |
| Prepaid expenditures | - | - | 1,113 | - |
| TOTAL ASSETS | <u>\$ 331,171</u> | <u>\$ 112,479</u> | <u>\$ 756,748</u> | <u>\$ 18,231</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 13,130 | \$ 4,508 | \$ 9,302 | \$ 100 |
| Salaries payable | 1,564 | 2,418 | 5,460 | - |
| Due to other funds | - | - | 203 | - |
| Due to other governmental units | - | - | - | - |
| Deferred revenue | - | - | - | - |
| TOTAL LIABILITIES | 14,694 | 6,926 | 14,965 | 100 |
| FUND BALANCES | | | | |
| Reserved for | | | | |
| Prepaid expenditures | - | - | 1,113 | - |
| Debt service | - | - | - | - |
| Unreserved | | | | |
| Designated for debt service | - | - | 506,552 | - |
| Designated for capital projects | - | - | - | - |
| Undesignated, reported in Special revenue funds | 316,477 | 105,553 | 234,118 | 18,131 |
| TOTAL FUND BALANCES | <u>316,477</u> | <u>105,553</u> | <u>741,783</u> | <u>18,131</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 331,171</u> | <u>\$ 112,479</u> | <u>\$ 756,748</u> | <u>\$ 18,231</u> |

Debt Service Funds

| 1974 GO #2 Storm Sewer Bonds | 1991 Michigan Transportation Fund Bonds | 1993 GO #6 Refunding Bonds | 1997 Library Bldg. Authority Fund Bonds | 1998 Michigan Transportation Fund Bonds | 1998 Courthouse Bldg. Authority Fund Bonds |
|------------------------------------|---|-------------------------------------|---|---|--|
| \$ 2,321 | \$ 154 | \$ 3,751 | \$ 117,815 | \$ 939 | \$ 16 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>\$ 2,321</u> | <u>\$ 154</u> | <u>\$ 3,751</u> | <u>\$ 117,815</u> | <u>\$ 939</u> | <u>\$ 16</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| - | - | - | - | - | - |
| 2,321 | 154 | 3,751 | 117,815 | 939 | 16 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>2,321</u> | <u>154</u> | <u>3,751</u> | <u>117,815</u> | <u>939</u> | <u>16</u> |
| <u>\$ 2,321</u> | <u>\$ 154</u> | <u>\$ 3,751</u> | <u>\$ 117,815</u> | <u>\$ 939</u> | <u>\$ 16</u> |

City of St. Johns

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONCLUDED

June 30, 2004

| | Debt Service Funds | | | Capital |
|--|---------------------------------|--|---|-------------------|
| | 2001 Walker Road GO Bonds | 2001 Walker Road Special Assessment Bonds | 2003 Michigan Transportation Fund Bonds | Fantasy Forest |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 937 | \$ 10,243 | \$ 352 | \$ 11,098 |
| Accounts receivable | - | - | - | 93 |
| Special assessment receivable | - | 111,427 | - | - |
| Due from other governmental units | - | - | - | - |
| Prepaid expenditures | - | - | - | - |
| TOTAL ASSETS | <u>\$ 937</u> | <u>\$ 121,670</u> | <u>\$ 352</u> | <u>\$ 11,191</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Salaries payable | - | - | - | - |
| Due to other funds | - | - | - | - |
| Due to other governmental units | - | - | - | - |
| Deferred revenue | - | 111,427 | - | - |
| TOTAL LIABILITIES | -0- | 111,427 | -0- | -0- |
| FUND BALANCES | | | | |
| Reserved for | | | | |
| Prepaid expenditures | - | - | - | - |
| Debt service | 937 | 10,243 | 352 | - |
| Unreserved | | | | |
| Designated for debt service | - | - | - | - |
| Designated for capital projects | - | - | - | 11,191 |
| Undesignated, reported in Special revenue funds | - | - | - | - |
| TOTAL FUND BALANCES | <u>937</u> | <u>10,243</u> | <u>352</u> | <u>11,191</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 937</u> | <u>\$ 121,670</u> | <u>\$ 352</u> | <u>\$ 11,191</u> |

Projects Funds

| Walker Road | Industrial Park #1 | Industrial Park #2 | Michigan Transportation Project | Total Nonmajor Governmental Funds |
|-------------------|-----------------------|-----------------------|---------------------------------------|--|
| \$ 101,039 | \$ 97,405 | \$ - | \$ 452,615 | \$ 1,790,621 |
| - | - | - | - | 93 |
| - | - | - | - | 111,427 |
| - | - | - | - | 225,580 |
| - | - | - | - | 1,113 |
| <u>\$ 101,039</u> | <u>\$ 97,405</u> | <u>\$ -0-</u> | <u>\$ 452,615</u> | <u>\$ 2,128,834</u> |
| \$ - | \$ - | \$ - | \$ - | \$ 27,040 |
| - | - | - | - | 9,442 |
| 250 | 21,295 | - | - | 21,748 |
| - | 74,985 | - | - | 74,985 |
| - | - | - | - | 111,427 |
| 250 | 96,280 | -0- | -0- | 244,642 |
| - | - | - | - | 1,113 |
| - | - | - | - | 136,528 |
| - | - | - | - | 506,552 |
| 100,789 | 1,125 | - | 452,615 | 565,720 |
| - | - | - | - | 674,279 |
| <u>100,789</u> | <u>1,125</u> | <u>-0-</u> | <u>452,615</u> | <u>1,884,192</u> |
| <u>\$ 101,039</u> | <u>\$ 97,405</u> | <u>\$ -0-</u> | <u>\$ 452,615</u> | <u>\$ 2,128,834</u> |

City of St. Johns

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2004

| | Special Revenue Funds | | | |
|--|-----------------------|-----------------|------------|----------------------------|
| | Major Street | Local Street | Library | Drug Law Enforcement |
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ 170,181 | \$ - |
| Intergovernmental | | | | |
| State | 369,823 | 152,101 | 15,845 | - |
| Local | - | - | 42,564 | - |
| Charges for services | - | - | 15,170 | - |
| Fines and forfeits | - | - | 133,188 | - |
| Interest and rents | 1,013 | 319 | 3,624 | 90 |
| Other | 1,688 | 3,240 | 13,650 | - |
| TOTAL REVENUES | 372,524 | 155,660 | 394,222 | 90 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public works | 170,937 | 160,637 | - | - |
| Recreation and cultural | - | - | 334,559 | - |
| Capital outlay | - | - | 15,513 | - |
| Debt service | | | | |
| Principal retirement | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| TOTAL EXPENDITURES | 170,937 | 160,637 | 350,072 | -0- |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 201,587 | (4,977) | 44,150 | 90 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bond proceeds | - | - | - | - |
| Operating transfers in | - | 55,000 | - | - |
| Operating transfers out | (99,790) | (21,970) | (37,057) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (99,790) | 33,030 | (37,057) | -0- |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 101,797 | 28,053 | 7,093 | 90 |
| Fund balances, beginning of year | 214,680 | 77,500 | 734,690 | 18,041 |
| Fund balances, end of year | \$ 316,477 | \$ 105,553 | \$ 741,783 | \$ 18,131 |

| Debt Service Funds | | | | | |
|------------------------------------|---|-------------------------------------|---|---|--|
| 1974 GO #2 Storm Sewer Bonds | 1991 Michigan Transportation Fund Bonds | 1993 GO #6 Refunding Bonds | 1997 Library Bldg. Authority Fund Bonds | 1998 Michigan Transportation Fund Bonds | 1998 Courthouse Bldg. Authority Fund Bonds |
| \$ 71,382 | \$ - | \$ 21,843 | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 216 | 2 | 161 | 815 | 3 | - |
| - | - | - | - | - | - |
| 71,598 | 2 | 22,004 | 815 | 3 | -0- |
| 300 | - | 300 | 525 | 11 | 540 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 75,000 | 20,000 | 120,000 | 30,000 | 30,000 | 50,000 |
| 4,324 | 1,970 | 3,541 | 31,410 | 14,940 | 52,362 |
| 79,624 | 21,970 | 123,841 | 61,935 | 44,951 | 102,902 |
| (8,026) | (21,968) | (101,837) | (61,120) | (44,948) | (102,902) |
| - | - | - | - | - | - |
| - | 21,970 | - | 37,057 | 44,790 | 102,900 |
| - | - | - | - | - | - |
| -0- | 21,970 | -0- | 37,057 | 44,790 | 102,900 |
| (8,026) | 2 | (101,837) | (24,063) | (158) | (2) |
| 10,347 | 152 | 105,588 | 141,878 | 1,097 | 18 |
| \$ 2,321 | \$ 154 | \$ 3,751 | \$ 117,815 | \$ 939 | \$ 16 |

City of St. Johns

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONCLUDED

Year Ended June 30, 2004

| | Debt Service Funds | | | Capital |
|--|---------------------------------|--|---|-------------------|
| | 2001 Walker Road GO Bonds | 2001 Walker Road Special Assessment Bonds | 2003 Michigan Transportation Fund Bonds | Fantasy Forest |
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | | | | |
| State | - | - | - | - |
| Local | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeits | - | - | - | - |
| Interest and rents | - | 6,186 | 352 | 128 |
| Other | - | 14,834 | - | 100 |
| TOTAL REVENUES | -0- | 21,020 | 352 | 228 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 262 | 274 | - | - |
| Public works | - | - | - | - |
| Recreation and cultural | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | 640 |
| Principal retirement | 20,000 | 20,000 | - | - |
| Interest and fiscal charges | 8,900 | 5,850 | - | - |
| TOTAL EXPENDITURES | 29,162 | 26,124 | -0- | 640 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (29,162) | (5,104) | 352 | (412) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bond proceeds | - | - | - | - |
| Operating transfers in | 28,900 | - | - | - |
| Operating transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 28,900 | -0- | -0- | -0- |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | (262) | (5,104) | 352 | (412) |
| Fund balances, beginning of year | 1,199 | 15,347 | - | 11,603 |
| Fund balances, end of year | \$ 937 | \$ 10,243 | \$ 352 | \$ 11,191 |

| Projects Funds | | | | | |
|----------------|-----------------------|-----------------------|---------------------------------------|--|-----------|
| Walker Road | Industrial Park #1 | Industrial Park #2 | Michigan Transportation Project | Total Nonmajor Governmental Funds | |
| \$ - | \$ - | \$ - | \$ - | \$ | 263,406 |
| - | - | - | - | | 537,769 |
| - | - | - | - | | 42,564 |
| - | - | - | - | | 15,170 |
| 731 | 373 | 9 | 2,865 | | 133,188 |
| - | - | - | - | | 16,887 |
| - | - | - | - | | 33,512 |
| 731 | 373 | 9 | 2,865 | | 1,042,496 |
| - | - | - | - | | 2,212 |
| - | - | - | - | | 331,574 |
| 511 | - | - | - | | 334,559 |
| - | - | - | 30,250 | | 46,914 |
| - | - | - | - | | 365,000 |
| - | - | - | - | | 123,297 |
| 511 | -0- | -0- | 30,250 | | 1,203,556 |
| 220 | 373 | 9 | (27,385) | | (161,060) |
| - | - | - | 480,000 | | 480,000 |
| - | - | - | - | | 290,617 |
| (28,900) | - | (55) | - | | (187,772) |
| (28,900) | -0- | (55) | 480,000 | | 582,845 |
| (28,680) | 373 | (46) | 452,615 | | 421,785 |
| 129,469 | 752 | 46 | - | | 1,462,407 |
| \$ 100,789 | \$ 1,125 | \$ -0- | \$ 452,615 | \$ | 1,884,192 |

City of St. Johns

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended June 30, 2004

Major Street Fund

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|----------------------------|-------------------|---|
| REVENUES | | | | |
| Intergovernmental | | | | |
| State gas and weight tax | \$ 342,313 | \$ 342,313 | \$ 365,823 | \$ 23,510 |
| State grant | - | - | 4,000 | 4,000 |
| Interest | 1,800 | 1,800 | 1,013 | (787) |
| Other | - | - | 1,688 | 1,688 |
| TOTAL REVENUES | 344,113 | 344,113 | 372,524 | 28,411 |
| EXPENDITURES | | | | |
| Public works | | | | |
| Highway and streets | | | | |
| Administrative | 25,363 | 25,363 | 22,765 | 2,598 |
| Construction | 5,000 | 5,000 | 3,137 | 1,863 |
| Street maintenance | 125,486 | 126,486 | 97,859 | 28,627 |
| Traffic service maintenance | 13,819 | 14,094 | 13,314 | 780 |
| Winter maintenance | 35,828 | 34,553 | 33,862 | 691 |
| TOTAL EXPENDITURES | 205,496 | 205,496 | 170,937 | 34,559 |
| EXCESS OF REVENUES OVER EXPENDITURES | 138,617 | 138,617 | 201,587 | 62,970 |
| OTHER FINANCING USES | | | | |
| Operating transfers out | (99,940) | (99,940) | (99,790) | 150 |
| EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES | 38,677 | 38,677 | 101,797 | 63,120 |
| Fund balance, beginning of year | 214,680 | 214,680 | 214,680 | -0- |
| Fund balance, end of year | <u>\$ 253,357</u> | <u>\$ 253,357</u> | <u>\$ 316,477</u> | <u>\$ 63,120</u> |

City of St. Johns

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2004

Local Street Fund

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|----------------------------|------------|---|
| REVENUES | | | | |
| Intergovernmental | | | | |
| State gas and weight tax | \$ 142,045 | \$ 142,045 | \$ 152,101 | \$ 10,056 |
| Interest | 100 | 100 | 319 | 219 |
| Other | 4,000 | 4,000 | 3,240 | (760) |
| TOTAL REVENUES | 146,145 | 146,145 | 155,660 | 9,515 |
| EXPENDITURES | | | | |
| Public works | | | | |
| Highway and streets | | | | |
| Administrative | 31,535 | 31,535 | 31,990 | (455) |
| Construction | 5,000 | 5,000 | 7,696 | (2,696) |
| Street maintenance | 117,508 | 117,508 | 95,402 | 22,106 |
| Traffic service maintenance | 6,355 | 6,355 | 5,054 | 1,301 |
| Winter maintenance | 17,661 | 17,661 | 20,495 | (2,834) |
| TOTAL EXPENDITURES | 178,059 | 178,059 | 160,637 | 17,422 |
| EXCESS OF REVENUES (UNDER) EXPENDITURES | (31,914) | (31,914) | (4,977) | 26,937 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | 55,000 | 55,000 | 55,000 | -0- |
| Operating transfers out | (21,970) | (21,970) | (21,970) | -0- |
| TOTAL OTHER FINANCING SOURCES (USES) | 33,030 | 33,030 | 33,030 | -0- |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES | 1,116 | 1,116 | 28,053 | 26,937 |
| Fund balance, beginning of year | 77,500 | 77,500 | 77,500 | -0- |
| Fund balance, end of year | \$ 78,616 | \$ 78,616 | \$ 105,553 | \$ 26,937 |

City of St. Johns

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2004

Library Fund

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|----------------------------|------------|---|
| REVENUES | | | | |
| Property tax levy | \$ 155,141 | \$ 155,141 | \$ 170,181 | \$ 15,040 |
| Intergovernmental | | | | |
| State aid to libraries | 15,150 | 15,150 | 15,845 | 695 |
| Township contributions | 38,511 | 38,511 | 42,564 | 4,053 |
| Charges for services | | | | |
| Photostat services | 760 | 760 | 1,292 | 532 |
| Rentals and fees | 12,520 | 12,520 | 13,878 | 1,358 |
| Penal fines | 127,850 | 127,850 | 133,188 | 5,338 |
| Interest | 17,000 | 17,000 | 3,624 | (13,376) |
| Other | | | | |
| Donations | 11,250 | 11,250 | 13,151 | 1,901 |
| Miscellaneous | 350 | 350 | 499 | 149 |
| TOTAL REVENUES | 378,532 | 378,532 | 394,222 | 15,690 |
| EXPENDITURES | | | | |
| Recreation and cultural | | | | |
| Library operations | 355,350 | 355,350 | 334,559 | 20,791 |
| Capital outlay | 10,000 | 10,000 | 15,513 | (5,513) |
| TOTAL EXPENDITURES | 365,350 | 365,350 | 350,072 | 15,278 |
| EXCESS OF REVENUES OVER EXPENDITURES | 13,182 | 13,182 | 44,150 | 30,968 |
| OTHER FINANCING USES | | | | |
| Operating transfers out | (77,000) | (77,000) | (37,057) | 39,943 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | (63,818) | (63,818) | 7,093 | 70,911 |
| Fund balance, beginning of year | 734,690 | 734,690 | 734,690 | -0- |
| Fund balance, end of year | \$ 670,872 | \$ 670,872 | \$ 741,783 | \$ 70,911 |

City of St. Johns

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONCLUDED

Year Ended June 30, 2004

Drug Law Enforcement

| | Original Budget | Final Amended Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|----------------------------|------------------|---|
| REVENUES | | | | |
| Interest | \$ 600 | \$ 600 | \$ 90 | \$ (510) |
| EXPENDITURES | - | - | - | -0- |
| EXCESS OF REVENUES OVER EXPENDITURES | 600 | 600 | 90 | (510) |
| Fund balance, beginning of year | 18,041 | 18,041 | 18,041 | -0- |
| Fund balance, end of year | <u>\$ 18,641</u> | <u>\$ 18,641</u> | <u>\$ 18,131</u> | <u>\$ (510)</u> |

**Fiduciary Fund
Fund Description**

Fiduciary Funds account for assets held by the City in a trustee or agency capacity for individuals, private organization, other governmental units and/or other funds.

Current Tax Collections - This fund accounts for current tax collections. All current tax monies collected by the City are receipted into this fund and later distributed to other funds or other governmental units.

City of St. Johns

Fiduciary Fund

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

Year Ended June 30, 2004

Current Tax Collections Fund

| | Balance July 1, 2003 | Additions | Deductions | Balance June 30, 2004 |
|---|-------------------------|----------------------|----------------------|--------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 5,596 | \$ 7,237,399 | \$ 7,240,717 | \$ 2,278 |
| Due from others | 64 | - | 64 | -0- |
| TOTAL ASSETS | <u>\$ 5,660</u> | <u>\$ 7,237,399</u> | <u>\$ 7,240,781</u> | <u>\$ 2,278</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ 4,683,637 | \$ 4,683,637 | \$ -0- |
| Due to other funds | | | | |
| General Fund | 5,128 | 1,833,318 | 1,836,168 | 2,278 |
| Garbage Fund | - | 407,923 | 407,923 | -0- |
| Principal Shopping District Fund | - | 25,815 | 25,815 | -0- |
| 1974 GO # 2 Sewer Bond Fund | - | 71,460 | 71,460 | -0- |
| Library Fund | - | 178,700 | 178,700 | -0- |
| 1993 GO #6 Refunding Bond Fund | - | 21,915 | 21,915 | -0- |
| Due to other governmental units | | | | |
| St. Johns Public Schools | 340 | 2,350,650 | 2,350,990 | -0- |
| Clinton County Regional Educational Service Agency | - | 586,176 | 586,176 | -0- |
| Clinton County | - | 922,837 | 922,837 | -0- |
| Clinton County (SET) | - | 836,998 | 836,998 | -0- |
| Due to others | 192 | 21,190 | 21,382 | -0- |
| TOTAL LIABILITIES | <u>\$ 5,660</u> | <u>\$ 11,940,619</u> | <u>\$ 11,944,001</u> | <u>\$ 2,278</u> |

City of St. Johns
Component Unit Funds
COMBINING BALANCE SHEET
June 30, 2004

| | Principal Shopping District | Local Development Finance Authority | Total Component Units |
|-------------------------------------|-----------------------------------|--|-----------------------------|
| ASSETS | | | |
| Current | | | |
| Cash and cash equivalents | <u>\$ 12,257</u> | <u>\$ 51,406</u> | <u>\$ 63,663</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 1,691 | \$ - | \$ 1,691 |
| FUND BALANCES | | | |
| Unreserved, undesignated | <u>10,566</u> | <u>51,406</u> | <u>61,972</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 12,257</u> | <u>\$ 51,406</u> | <u>\$ 63,663</u> |

Note: Reconciliations of the component unit governmental funds balance sheet to the statement of net assets for the component units are not required as the component units' fund balances were equal to the component units' net assets as of June 30, 2004.

City of St. Johns

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2004

| | Principal Shopping District | Local Development Finance Authority | Total Component Units |
|--|-----------------------------------|--|-----------------------------|
| REVENUES | | | |
| Taxes | \$ - | \$ 77,104 | \$ 77,104 |
| Intergovernmental | 500 | - | 500 |
| Interest and rents | 78 | 416 | 494 |
| Other revenue | 40,300 | - | 40,300 |
| TOTAL REVENUES | 40,878 | 77,520 | 118,398 |
| EXPENDITURES | | | |
| Community and economic development | 44,323 | 102,746 | 147,069 |
| EXCESS OF REVENUES (UNDER) EXPENDITURES | (3,445) | (25,226) | (28,671) |
| Fund balances, beginning of year | 14,011 | 76,632 | 90,643 |
| Fund balances, end of year | \$ 10,566 | \$ 51,406 | \$ 61,972 |

Note: Reconciliations of the statement of revenues, expenditures, and changes in fund balances of the component units governmental funds to the statement of activities for the component units are not required as the net change in fund balances of the component unit governmental funds was equal to the change in net assets of the component units for the year ended June 30, 2004.

City of St. Johns

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE ⁽¹⁾

June 30, 2004 and 2003

| | 2004 | Restated 2003 |
|---|----------------------|----------------------|
| Governmental funds capital assets: | | |
| Land | \$ 1,101,740 | \$ 565,740 |
| Land improvements | 923,172 | 923,172 |
| Buildings and improvements | 2,734,635 | 2,734,635 |
| Furniture and other assets | 754,190 | 718,836 |
| Drain flowage rights | 10,304 | 10,304 |
| Infrastructure | 6,102,261 | 6,102,261 |
| Total governmental funds capital assets | <u>\$ 11,626,302</u> | <u>\$ 11,054,948</u> |
| Investment in governmental fund capital assets by source: | | |
| General Fund | \$ 4,098,437 | \$ 3,562,436 |
| Special Revenue Funds | 7,527,865 | 7,492,512 |
| Total governmental funds capital assets | <u>\$ 11,626,302</u> | <u>\$ 11,054,948</u> |

⁽¹⁾ This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of St. Johns

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY ⁽¹⁾

June 30, 2004

| Function and Activity | Land | Land Improvements | Buildings and Improvements | Furniture and Other Assets | Drain Flowage Rights | Infrastructure | Total |
|---|---------------------|-------------------|----------------------------|----------------------------|----------------------|---------------------|----------------------|
| General government | | | | | | | |
| Administration | \$ 885,740 | \$ 240,172 | \$ 1,698,337 | \$ 63,366 | \$ - | \$ - | \$ 2,887,615 |
| Public safety | | | | | | | |
| Police department | - | - | 102,566 | - | - | - | 102,566 |
| Fire department | - | - | 115,249 | - | - | - | 115,249 |
| Total public safety | -0- | -0- | 217,815 | -0- | -0- | -0- | 217,815 |
| Public works | | | | | | | |
| Department of public works | - | 683,000 | 83,703 | - | 10,304 | - | 777,007 |
| Highway and streets | - | - | - | - | - | 6,102,261 | 6,102,261 |
| Total public works | -0- | 683,000 | 83,703 | -0- | 10,304 | 6,102,261 | 6,879,268 |
| Recreation and cultural | | | | | | | |
| Library | - | - | 734,780 | 690,824 | - | - | 1,425,604 |
| Parks and recreation | 216,000 | - | - | - | - | - | 216,000 |
| Total recreation and cultural | 216,000 | -0- | 734,780 | 690,824 | -0- | -0- | 1,641,604 |
| Total governmental funds capital assets | <u>\$ 1,101,740</u> | <u>\$ 923,172</u> | <u>\$ 2,734,635</u> | <u>\$ 754,190</u> | <u>\$ 10,304</u> | <u>\$ 6,102,261</u> | <u>\$ 11,626,302</u> |

⁽¹⁾ This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of St. Johns

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY ⁽¹⁾

Year Ended June 30, 2004

| Function and Activity | Restated Governmental Funds Capital Assets July 1, 2003 | Additions | Deductions | Governmental Funds Capital Assets June 30, 2004 |
|--|---|-------------------|---------------|--|
| General government | | | | |
| Administration | \$ 2,351,615 | \$ 536,000 | \$ - | \$ 2,887,615 |
| Public safety | | | | |
| Police department | 102,566 | - | - | 102,566 |
| Fire department | 115,249 | - | - | 115,249 |
| Total public safety | 217,815 | -0- | -0- | 217,815 |
| Public works | | | | |
| Department of public works | 777,007 | - | - | 777,007 |
| Highway and streets | 6,102,261 | - | - | 6,102,261 |
| Total public works | 6,879,268 | -0- | -0- | 6,879,268 |
| Recreation and cultural | | | | |
| Library | 1,390,250 | 35,354 | - | 1,425,604 |
| Parks and recreation | 216,000 | - | - | 216,000 |
| Total recreation and cultural | 1,606,250 | 35,354 | -0- | 1,641,604 |
| Total governmental funds capital assets | <u>\$ 11,054,948</u> | <u>\$ 571,354</u> | <u>\$ -0-</u> | <u>\$ 11,626,302</u> |

⁽¹⁾ This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of St. Johns

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

1995-2004
(Unaudited)

| Fiscal Year | Legislative | General Government | Public Safety | Public Works | Community and Economic Development | Recreation and Cultural | Debt Service | Capital Projects | Total |
|-------------|-------------|--------------------|---------------|--------------|------------------------------------|-------------------------|--------------|------------------|--------------|
| 1995 | \$ 183,919 | \$ 1,716,542 | \$ 791,985 | \$ 653,886 | \$ - | \$ 346,423 | \$ 371,539 | \$ - | \$ 4,064,294 |
| 1996 | 178,906 | 1,603,436 | 821,233 | 765,682 | - | 450,826 | 421,005 | - | 4,241,088 |
| 1997 | 192,258 | 1,815,250 | 826,404 | 1,234,233 | - | 441,081 | 428,183 | 13,743 | 4,951,152 |
| 1998 | 205,089 | 1,569,350 | 857,444 | 773,074 | - | 476,568 | 478,432 | 867,232 | 5,227,189 |
| 1999 | 278,175 | 766,469 | 1,119,077 | 715,458 | - | 473,722 | 491,524 | 1,211,338 | 5,055,763 |
| 2000 | 338,587 | 910,432 | 1,204,300 | 1,038,552 | - | 483,802 | 570,971 | 1,443,234 | 5,989,878 |
| 2001 | 311,646 | 992,187 | 1,220,886 | 866,763 | - | 497,454 | 567,514 | 379,081 | 4,835,531 |
| 2002 | 269,350 | 997,576 | 1,206,691 | 821,172 | - | 545,636 | 655,096 | 916,689 | 5,412,210 |
| 2003 | - | 1,573,309 | 1,248,541 | 794,489 | - | 553,351 | 579,550 | 1,665,375 | 6,414,615 |
| 2004 | - | 1,193,672 | 1,289,947 | 1,038,283 | 147,569 | 598,759 | 711,015 | 638,563 | 5,617,808 |

Notes:

- (1) General Government includes General, Special Revenue, Debt Service, Capital Project and Component Unit Funds.
- (2) Source: City of St. Johns Basic Financial Statements.

City of St. Johns

GENERAL GOVERNMENTAL REVENUES BY SOURCE

1995-2004
(Unaudited)

| Fiscal Year | Taxes | Licenses and Permits | Intergovernmental | Charges For Services | Fines and Forfeits | Interest and Rents | Other Revenue | Total |
|-------------|--------------|----------------------|-------------------|----------------------|--------------------|--------------------|---------------|--------------|
| 1995 | \$ 1,506,768 | \$ 9,402 | \$ 1,047,052 | \$ 761,462 | \$ 115,355 | \$ 95,230 | \$ 272,150 | \$ 3,807,419 |
| 1996 | 1,583,232 | 7,397 | 1,192,481 | 803,543 | 108,110 | 98,720 | 345,221 | 4,138,704 |
| 1997 | 1,651,645 | 12,813 | 1,356,521 | 824,299 | 144,759 | 122,702 | 693,193 | 4,805,932 |
| 1998 | 1,687,201 | 10,711 | 1,500,309 | 868,622 | 154,619 | 131,521 | 389,138 | 4,742,121 |
| 1999 | 1,720,717 | 9,570 | 1,565,969 | 696,268 | 157,796 | 169,596 | 187,941 | 4,507,857 |
| 2000 | 1,794,807 | 12,465 | 1,455,270 | 804,132 | 171,510 | 187,659 | 261,371 | 4,687,214 |
| 2001 | 1,831,783 | 12,326 | 1,433,035 | 818,748 | 160,411 | 132,278 | 287,745 | 4,676,326 |
| 2002 | 2,029,634 | 11,275 | 1,989,573 | 769,332 | 164,252 | 107,595 | 206,362 | 5,278,023 |
| 2003 | 2,105,862 | 34,138 | 1,513,136 | 793,006 | 155,745 | 80,316 | 320,959 | 5,003,162 |
| 2004 | 2,093,488 | 39,577 | 1,468,819 | 878,152 | 176,994 | 54,392 | 363,723 | 5,075,145 |

Notes:

- (1) General Government includes General, Special Revenue, Debt Service, Capital Project and Component Unit Funds.
- (2) Source: City of St. Johns Basic Financial Statements.

City of St. Johns

PROPERTY TAX LEVIES AND COLLECTIONS

1995-2004
(Unaudited)

| Fiscal Year | General | Debt Service | Library | Garbage | Total Tax Levy | Total Tax Collections | Percent Collected (1) |
|-------------|--------------|--------------|------------|---------|----------------|-----------------------|-----------------------|
| 1995 | \$ 1,094,360 | \$ 254,501 | \$ 111,623 | \$ - | \$ 1,460,484 | \$ 1,460,214 | 99.98% |
| 1996 | 1,135,739 | 262,965 | 115,843 | - | 1,514,547 | 1,514,278 | 99.98% |
| 1997 | 1,188,651 | 261,882 | 121,243 | - | 1,571,776 | 1,570,570 | 99.92% |
| 1998 | 1,230,826 | 247,267 | 125,438 | - | 1,603,531 | 1,603,271 | 99.98% |
| 1999 | 1,274,964 | 230,181 | 130,047 | - | 1,635,192 | 1,632,705 | 99.85% |
| 2000 | 1,313,370 | 227,021 | 135,133 | - | 1,675,524 | 1,670,022 | 99.67% |
| 2001 | 1,343,977 | 241,804 | 139,093 | - | 1,724,874 | 1,722,823 | 99.88% |
| 2002 | 1,428,680 | 257,871 | 148,336 | 74,162 | 1,909,049 | 1,906,574 | 99.87% |
| 2003 | 1,514,947 | 234,420 | 157,338 | 78,663 | 1,985,368 | 1,978,611 | 99.66% |
| 2004 | 1,618,462 | 92,607 | 168,851 | 84,419 | 1,964,339 | 1,960,651 | 99.81% |

Notes:

- (1) Clinton County pays the City of St. Johns the full amount of the delinquent real property taxes upon settlement in March of each year.
- (2) The table includes Ad Valorem taxes only. It excludes commercial and industrial facilities taxes as provided under Public Acts 198 and 255.
- (3) Source: City of St. Johns Basic Financial Statements.

City of St. Johns

TAXABLE PROPERTY VALUATIONS

1995-2004
(Unaudited)

| Fiscal Year | Real Property | | Personal Property | | Total | |
|----------------|-------------------|--------------------|-------------------|--------------------|-------------------|--------------------|
| | Assessed Value | Equalized Value | Assessed Value | Equalized Value | Assessed Value | Equalized Value |
| 1995 | \$ 96,878,300 | \$ 96,878,300 | \$ 14,748,600 | \$ 14,748,600 | \$ 111,626,900 | \$ 111,626,900 |
| 1996 | 102,668,600 | 102,668,600 | 16,149,400 | 16,149,400 | 118,818,000 | 118,818,000 |
| 1997 | 106,760,130 | 106,760,130 | 18,543,700 | 18,543,700 | 125,303,830 | 125,303,830 |
| 1998 | 113,762,600 | 113,762,600 | 18,834,700 | 18,834,700 | 132,597,300 | 132,597,300 |
| 1999 | 123,413,600 | 123,413,600 | 18,370,600 | 18,370,600 | 141,784,200 | 141,784,200 |
| 2000 | 141,227,400 | 141,227,400 | 17,326,500 | 17,326,500 | 158,553,900 | 158,553,900 |
| 2001 | 154,900,200 | 154,900,200 | 17,756,500 | 17,756,500 | 172,656,700 | 172,656,700 |
| 2002 | 165,418,700 | 165,418,700 | 21,477,700 | 21,477,700 | 186,896,400 | 186,896,400 |
| 2003 | 177,358,100 | 177,358,100 | 21,940,000 | 21,940,000 | 199,298,100 | 199,298,100 |
| 2004 | 195,513,348 | 195,513,348 | 23,422,800 | 23,422,800 | 218,936,148 | 218,936,148 |

Notes:

(1) Information taken from Clinton County Equalization Reports.

(2) Ad valorem tax only, therefore, excludes commercial and industrial facilities taxes as provided under Public Acts 198 and 255.

City of St. Johns

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(Per \$1,000 of Assessed Value)

1995-2004
(Unaudited)

| Fiscal Year | City of St. Johns | | | | | St. Johns Public Schools | Clinton County | Clinton County Regional Educational Service Agency | Total |
|----------------|-------------------|--------|---------|---------|---------|-----------------------------|-------------------|---|---------|
| | General | Debt | Garbage | Library | Total | | | | |
| 1995 | 9.8040 | 2.2800 | | 1.0000 | 13.0840 | 6.0000 | 6.0441 | 1.6323 | 26.7604 |
| 1996 | 9.8040 | 2.2700 | - | 1.0000 | 13.0740 | 13.0000 | 6.2993 | 1.6403 | 34.0136 |
| 1997 | 9.8040 | 2.1600 | - | 1.0000 | 12.9640 | 13.0000 | 5.8000 | 2.7653 | 34.5293 |
| 1998 | 9.8040 | 1.9700 | - | 1.0000 | 12.7740 | 13.0000 | 5.7727 | 2.7580 | 34.3047 |
| 1999 | 9.8040 | 1.7700 | - | 1.0000 | 12.5740 | 13.0000 | 5.7675 | 2.7550 | 34.0965 |
| 2000 | 9.7192 | 1.6800 | - | 1.0000 | 12.3992 | 13.0000 | 5.7555 | 2.7334 | 33.8881 |
| 2001 | 9.6618 | 1.7385 | - | 1.0000 | 12.4003 | 13.0000 | 5.7048 | 2.7105 | 33.8156 |
| 2002 | 9.6308 | 1.7385 | 0.5000 | 1.0000 | 12.8693 | 13.0000 | 5.6585 | 2.6922 | 34.2200 |
| 2003 | 9.6281 | 1.4900 | 0.5000 | 1.0000 | 12.6181 | 13.0000 | 5.6030 | 3.6668 | 34.8879 |
| 2004 | 9.5846 | 0.5486 | 0.5000 | 1.0000 | 11.6332 | 12.0000 | 5.6030 | 3.5989 | 32.8351 |

Notes:

(1) Table in mills

(2) Source: Tax Warrants issued by City Assessor

(3) For the years 1995 through 2004, St. Johns Public Schools' rate indicates homestead millage. For non-homestead, add 18.0000 mills.

City of St. Johns

SPECIAL ASSESSMENT LEVIES AND COLLECTIONS

1995-2004
(Unaudited)

| <u>Fiscal Year</u> | <u>Special Assessment Levied</u> | <u>Special Assessment Collection</u> |
|------------------------|--|--|
| 1995 | \$ 223,687 | \$ 211,057 |
| 1996 | 189,126 | 211,820 |
| 1997 | 189,679 | 203,804 |
| 1998 | 268,266 | 223,795 |
| 1999 | 229,080 | 220,170 |
| 2000 | 291,427 | 281,800 |
| 2001 | 267,941 | 270,102 |
| 2002 | 565,522 | 409,632 |
| 2003 | 327,090 | 331,233 |
| 2004 | 342,214 | 342,212 |

City of St. Johns

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA

1995-2004
(Unaudited)

| <u>Fiscal Year</u> | <u>Population</u> | <u>Equalized Value</u> | <u>Gross Bonded Debt ⁽²⁾</u> | <u>Bonded Debt Service Funds Available ⁽³⁾</u> | <u>Debt Payable From Enterprises</u> | <u>Net General Bonded Debt</u> | <u>Net Debt to Equalized Value</u> | <u>Net Debt Per Capita</u> |
|------------------------|-------------------|----------------------------|---|---|--|------------------------------------|--|--------------------------------|
| 1995 | 7,392 | \$ 111,626,900 | \$ 7,510,141 | \$ 49,590 | \$ 3,045,000 | \$ 2,190,000 | 1.96% | \$ 296.27 |
| 1996 | 7,392 | 118,818,000 | 6,883,138 | 40,470 | 2,960,000 | 1,910,000 | 1.61% | 258.39 |
| 1997 | 7,392 | 125,303,830 | 15,379,406 | 47,357 | 7,365,000 | 2,385,000 | 1.90% | 322.65 |
| 1998 | 7,392 | 132,597,300 | 15,022,933 | 43,470 | 7,265,000 | 2,480,000 | 1.87% | 335.50 |
| 1999 | 7,392 | 141,784,200 | 16,191,047 | 84,003 | 7,055,000 | 3,635,000 | 2.56% | 491.75 |
| 2000 | 7,392 | 158,553,900 | 15,139,052 | 91,544 | 6,830,000 | 3,335,000 | 2.10% | 451.16 |
| 2001 | 7,485 | 172,656,700 | 14,082,005 | 144,101 | 6,595,000 | 3,020,000 | 1.75% | 403.47 |
| 2002 | 7,485 | 186,896,400 | 13,315,915 | 189,451 | 6,345,000 | 3,085,000 | 1.65% | 412.16 |
| 2003 | 7,485 | 199,298,100 | 12,249,588 | 260,279 | 6,085,000 | 2,720,000 | 1.36% | 363.39 |
| 2004 | 7,485 | 218,936,148 | 16,773,068 | 126,285 | 8,670,000 | 2,835,000 | 1.29% | 378.76 |

Note:

(1) Source: City of St. Johns Basic Financial Statements.

(2) Amount does not include special assessment debt.

(3) Amount does not include funds available for retirement of special assessment debt.

City of St. Johns

BOND COVERAGE - WATER AND SEWER BONDS

1995-2004
(Unaudited)

| Fiscal Year | Gross Revenue (1) | Direct Operating Expenses (2) | Net Revenue | Debt Service Requirements | | | Coverage |
|----------------|----------------------|----------------------------------|----------------|---------------------------|----------------------|------------|----------|
| | | | | Principal | Interest and Fees | Total | |
| 1995 | \$ 1,434,415 | \$ 1,100,523 | \$ 333,892 | \$ 80,000 | \$ 163,988 | \$ 243,988 | 136.85% |
| 1996 | 1,370,573 | 1,059,101 | 311,472 | 95,000 | 158,723 | 253,723 | 122.76% |
| 1997 | 1,503,304 | 1,058,900 | 444,404 | 95,000 | 212,093 | 307,093 | 144.71% |
| 1998 | 2,081,988 | 1,095,290 | 986,698 | 100,000 | 382,128 | 482,128 | 204.65% |
| 1999 | 2,077,777 | 1,197,247 | 880,530 | 210,000 | 372,058 | 582,058 | 151.28% |
| 2000 | 2,163,423 | 1,244,026 | 919,397 | 225,000 | 361,646 | 586,646 | 156.72% |
| 2001 | 2,041,984 | 1,226,647 | 815,337 | 235,000 | 349,326 | 584,326 | 139.53% |
| 2002 | 1,997,187 | 1,261,851 | 735,336 | 250,000 | 337,258 | 587,258 | 125.22% |
| 2003 | 2,231,744 | 1,238,734 | 993,010 | 260,000 | 323,595 | 583,595 | 170.15% |
| 2004 | 2,290,471 | 1,460,022 | 830,449 | 130,000 | 410,950 | 540,950 | 153.52% |

Notes:

(1) Operating revenues plus interest.

(2) Operating expenses exclusive of depreciation.

(3) Source: City of St. Johns Basic Financial Statements.

City of St. Johns

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2004
(Unaudited)

| | | |
|---|----------------|-----------------------|
| State Taxable Assessed Value | | |
| Real property | | \$ 195,513,348 |
| Personal property | | 23,422,800 |
| Industrial facilities (1) | | <u>2,025,640</u> |
| Total taxable assessed value | | <u>\$ 220,961,788</u> |
| Debt Limit | | |
| 10% of State equalized assessed value | | \$ 22,096,179 |
| Amount of Debt Applicable to Debt Limit | | |
| Total bonded debt | \$ 11,505,000 | |
| Less: | | |
| Amount available in debt service funds | 126,285 | |
| Revenue bonds | 8,670,000 | |
| Special assessment bonds | <u>120,000</u> | |
| Total amount of debt applicable to debt limit | | <u>2,588,715</u> |
| Legal debt margin | | <u>\$ 19,507,464</u> |

Note:

(1) Adjusted to State Equalized Equivalent

City of St. Johns

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2004
(Unaudited)

| <u>Jurisdiction</u> | <u>Net Bonded Debt Outstanding ⁽¹⁾</u> | <u>Estimated Percent Applicable</u> | <u>Direct and Estimated Overlapping Bonded Debt</u> |
|-----------------------------------|---|---|---|
| City of St. Johns | \$ 2,835,000 | 100.00% | \$ 2,835,000 |
| St. Johns Public Schools | 40,829,000 | 35.93% | 14,669,860 |
| Clinton County | <u>16,535,000</u> | 9.69% | <u>1,602,242</u> |
| Total overlapping debt | <u>57,364,000</u> | | <u>16,272,101</u> |
| Total direct and overlapping debt | <u>\$60,199,000</u> | | <u>\$19,107,101</u> |

Note:

(1) Excluding bonded debt reported in the enterprise funds, special assessment debt, and the amount available for repayment in the debt service funds.

City of St. Johns

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL
BONDED DEBT TO TOTAL GENERAL EXPENDITURES

1995-2004
(Unaudited)

| Fiscal Year | Principal ⁽³⁾ | Fees and Interest ⁽³⁾ | Total Debt Service ⁽³⁾ | Total General Expenditures ⁽¹⁾ | Ratio |
|----------------|--------------------------|-------------------------------------|--------------------------------------|--|-------|
| 1995 | \$ 235,000 | \$ 113,769 | \$ 348,769 | \$ 4,064,294 | 8.58% |
| 1996 | 260,000 | 103,690 | 363,690 | 4,241,088 | 8.58% |
| 1997 | 255,000 | 91,760 | 346,760 | 4,951,152 | 7.00% |
| 1998 | 260,000 | 121,796 | 381,796 | 5,227,189 | 7.30% |
| 1999 | 245,000 | 140,738 | 385,738 | 5,055,763 | 7.63% |
| 2000 | 300,000 | 168,742 | 468,742 | 5,989,878 | 7.83% |
| 2001 | 315,000 | 154,456 | 469,456 | 4,835,531 | 9.71% |
| 2002 | 348,250 | 137,813 | 486,063 | 5,412,210 | 8.98% |
| 2003 | 350,000 | 134,029 | 484,029 | 6,414,615 | 7.55% |
| 2004 | 345,000 | 119,385 | 464,385 | 5,617,808 | 8.27% |

Notes:

(1) General Government includes General, Special Revenue, Debt Service, Capital Project and Component Unit Funds.

(2) Source: City of St. Johns Basic Financial Statements.

(3) Excluding payments related to special assessment debt.

City of St. Johns

DEMOGRAPHIC STATISTICS

1995-2004
(Unaudited)

| <u>Fiscal Year</u> | <u>Population</u> | <u>Labor Force ⁽³⁾</u> | <u>Unemployment Rate ⁽³⁾</u> | <u>School Enrollment ⁽⁴⁾</u> |
|------------------------|----------------------|---------------------------------------|---|---|
| 1995 | 7,392 ⁽¹⁾ | 3,925 | 4.4% | 3,346 |
| 1996 | 7,392 ⁽¹⁾ | 4,075 | 4.1% | 3,328 |
| 1997 | 7,392 ⁽¹⁾ | 4,100 | 3.2% | 3,354 |
| 1998 | 7,392 ⁽¹⁾ | 4,125 | 3.0% | 3,445 |
| 1999 | 7,392 ⁽¹⁾ | 4,100 | 2.8% | 3,397 |
| 2000 | 7,392 ⁽¹⁾ | 4,200 | 2.6% | 3,371 |
| 2001 | 7,485 ⁽²⁾ | 4,300 | 3.4% | 3,331 |
| 2002 | 7,485 ⁽²⁾ | 4,275 | 4.5% | 3,280 |
| 2003 | 7,485 ⁽²⁾ | 4,525 | 5.1% | 3,390 |
| 2004 | 7,485 ⁽²⁾ | 4,400 | 5.0% | 3,390 |

Notes:

(1) Source: 1990 Census report.

(2) Source: 2000 Census Report

(3) Source: Michigan Department of Career Development.

(4) Total enrollment for St. Johns Public Schools.

City of St. Johns

PROPERTY VALUE AND CONSTRUCTION

1995-2004
(Unaudited)

| Fiscal Year | Nonresidential Construction | | Residential Construction | | Taxable Value (2) | | | |
|---------------------|-----------------------------|------------------|--------------------------|------------------|-------------------|--------------|---------------|---------------|
| | Units | Values | Units | Values | Commercial | Industrial | Residential | Total |
| 1995 | 47 | \$ 1,112,822 | 47 | \$ 2,016,828 | \$ 19,215,100 | \$ 5,155,600 | \$ 72,351,600 | \$ 96,722,300 |
| 1996 | 37 | 2,403,885 | 31 | 692,602 | 19,311,109 | 5,155,600 | 75,767,524 | 100,234,233 |
| 1997 | 27 | 10,256,338 | 77 | 1,835,788 | 19,019,701 | 5,209,462 | 78,297,884 | 102,527,047 |
| 1998 | 16 | 3,569,525 | 59 | 2,521,385 | 18,981,922 | 5,486,869 | 82,009,411 | 106,478,202 |
| 1999 | 14 | 1,238,000 | 55 | 2,674,518 | 19,600,433 | 5,516,247 | 85,982,979 | 111,099,659 |
| 2000 | 6 | 1,497,995 | 18 | 2,522,000 | 22,861,947 | 5,616,466 | 92,852,027 | 121,330,440 |
| 2001 | 3 | 279,500 | 30 | 5,116,624 | 25,455,903 | 5,990,026 | 99,020,556 | 130,466,485 |
| 2002 | 23 | 2,024,426 | 94 | 4,704,020 | 24,774,532 | 6,016,120 | 105,218,633 | 136,009,285 |
| 2003 ⁽³⁾ | 19 | 16,103,382 | 40 | 1,762,445 | 25,818,332 | 9,493,064 | 111,151,113 | 146,462,509 |
| 2004 | 20 | - ⁽⁴⁾ | 84 | - ⁽⁴⁾ | 29,347,469 | 13,281,674 | 119,450,527 | 162,079,670 |

Notes:

(1) Source: Number of building permits issued - City of St. Johns.

(2) Source: Assessor's equalization reports.

(3) Construction details July 1, 2002 - November 30, 2002 are issued by City of St. Johns.
Starting December 1, 2002, Clinton County issued 12 nonresidential and 52 residential permits on behalf of the City of St. Johns and values were not tracked.

(4) Construction values are not tracked by Clinton County.

City of St. Johns

PRINCIPAL TAXPAYERS

June 30, 2004
(Unaudited)

| <u>Taxpayer</u> | <u>Nature of Business</u> | 2004 Taxable Value | Percent of Total Assessed Valuation |
|--|---------------------------|--------------------------|--|
| Sav-A-Lot | Warehouse | \$ 8,574,300 | 4.59% |
| Federal Mogul | Industrial | 7,823,700 | 4.19% |
| Dana Corporation | Industrial | 3,480,630 | 1.86% |
| Clinton Commons | Multifamily Complex | 2,692,962 | 1.44% |
| Barnard Manufacturing | Industrial | 2,258,510 | 1.21% |
| Consumers Energy | Public Utility | 1,975,600 | 1.06% |
| Allied Ring Co. | Industrial | 1,925,100 | 1.03% |
| CC Reality Fund | Retail | 1,854,595 | 0.99% |
| M&M | Warehouse | 1,673,700 | 0.90% |
| CCS/Lansing Inc. | Psychiatric Hospital | 1,537,100 | 0.82% |
| Total assessed value of ten largest taxpayers | | 33,796,197 | 18.09% |
| Total assessed value of other taxpayers | | 153,032,429 | 81.91% |
| Total assessed value of all taxpayers | | \$ 186,828,626 | 100.00% |

Note:

(1) Source: City Assessor

City of St. Johns

MISCELLANEOUS STATISTICAL DATA

June 30, 2004
(Unaudited)

| | |
|--|----------------------|
| Incorporated | 1856 |
| Form of government | Commission - Manager |
| Adopted Home Rule Charter (as amended) | July 1, 1950 |
| Area in square miles | 3.77 |
| Police protection: | |
| Number of stations | 1 |
| Number of full-time officers | 10 |
| Number of auxiliary officers | 6 |
| Fire protection: | |
| Number of stations | 1 |
| Number of part-time employees | 1 |
| Number of volunteer fire fighters | 20 |
| Total number of public safety employees/volunteers | 39 |
| Recreation: | |
| Parks (acres) | 142 |
| Playgrounds | 6 |
| Municipal swimming pools | 1 |
| Tennis courts | 11 |
| Softball diamonds | 3 |
| Education: | |
| Number of certified teachers | 182 |
| Number of specialized instructional staff | 22 |
| Number of administrative staff | 13 |
| Enrollment: | |
| Elementary schools (6) | 1,339 |
| Middle school | 855 |
| High school | 1,196 |
| Average daily attendance | 3,390 |
| Paved streets (per lane mile) | 80 |
| Water lines (miles) | 48 |
| Sanitary sewer (miles) | 43 |
| Municipal water plant: | |
| Average daily consumption in gallons | 883,000 |
| Maximum storage capacity in gallons | 900,000 |

City of St. Johns

MISCELLANEOUS STATISTICAL DATA - CONCLUDED

June 30, 2004
(Unaudited)

Water Rates (Effective 7/1/03)

Gallons Per Quarter

Charges Per Quarter

| | |
|------------------------|---|
| 0 - 4,999 gallons | \$38.90 |
| 5,000 gallons and over | \$38.90 plus \$2.67 per 1,000 gallons or part thereof over 5,000 gallons |

Sewer Rates (Effective 7/1/03)

| Meter Size (in inches) | Allowance (gallons in thousands) | Fixed Charges | | Commodity Charge |
|---------------------------|-------------------------------------|---------------|---------|---------------------|
| | | Debt | I/I&R | |
| 5/8 & 3/4 (A) | 5 | \$ 12.31 | \$ 9.55 | \$ 14.98 |
| 1 (B) | 16 | 19.72 | 15.29 | 41.40 |
| 1 1/2 (C) | 33 | 40.60 | 31.53 | 89.24 |
| 2 (D) | 53 | 65.23 | 50.61 | 143.34 |
| 3 (E) | 100 | 123.07 | 95.57 | 270.40 |
| 4 (F) | 160 | 196.94 | 152.88 | 432.66 |
| 6 (G) | 330 | 406.14 | 315.30 | 892.36 |

For wastewater usage above the allowance, there is an additional charge of \$2.39 per 1,000 gallons.

Number of Meters: 2,955

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

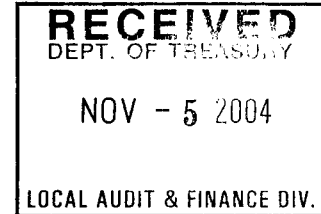
Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of Certified
Public Accountants
and
Michigan Association of
Certified Public Accountants

MANAGEMENT LETTER



To the Honorable Mayor and
Members of the City Commission
City of St. Johns, Michigan

Dear Ladies/Gentlemen:

As you know, we recently completed our audit of the records of the City of St. Johns, Michigan for the year ended June 30, 2004. In connection with the audit, we feel that a certain change in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. This suggestion is a result of our evaluation of the internal control structure and our discussions with management.

1. The City should reconcile all bank accounts to the general ledger system in a timely manner.

During our analysis of the City's general ledger cash balances, we noted that several of the bank reconciliations did not agree with the general ledger cash balances. A similar issue was noted and reported in our audit comments last year.

We suggest that bank reconciliations for all bank accounts be completed on a monthly basis to ensure the accuracy of the general ledger system and to improve internal controls. Any discrepancies noted between the general ledger and the reconciliation should be investigated and resolved in a timely manner.

2. The City should place transfer unpaid special assessments to the ad valorem tax roll.

During our analysis of the City's special assessment receivables and revenue, we noted that payments were not collected on the Walker Road special assessments during the year. We also noted that the unpaid amounts were not transferred to the ad valorem tax roll as they been in the past.

We suggest that special assessment taxes that are not collected through the normal course of business be transferred to the ad valorem tax roll. Any special assessments not collected through the tax roll would then be turned over to the County for collection at settlement.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements and this report does not affect our report on the financial statements dated September 2, 2004.

This report is intended solely for the use of management and the City Commission of the City of St. Johns, Michigan and should not be used for any other purpose. We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 2, 2004